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## 深圳高速公路股份有限公司

### SHENZHEN EXPRESSWAY COMPANY LIMITED

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 00548)**

## 2014 Annual Results Preliminary Announcement

### I. Important Notice

- 1.1** 2014 Annual Results Preliminary Announcement of the Company is extracted from full Annual Report 2014 of the Company. For detailed information, investor shall read the full annual report to be published on the website of SSE at <http://www.sse.com.cn> and HKEx at <http://www.hkexnews.com.hk>.

All the information to accompany preliminary announcement of results for the financial year required under Appendix 16 to the Listing Rules was included in the 2014 Annual Results Preliminary Announcement published on the website of HKEx.

The 2014 annual financial statements of the Company were prepared in accordance with CASBE, and also were complied with the disclosure requirements under the Hong Kong Companies Ordinance and the Listing Rules.

Unless otherwise stated, the amounts stated in this announcement are in RMB.

### 1.2 Basic Information of the Company

Type of shares	A Share	H Share
Abbreviation	Shenzhen Expressway	Shenzhen Expressway
Stock code	600548	00548
Listing exchanges	SSE	HKEx
Contacts and details	Secretary of the Board	Securities Officer
Name	WU Qian	GONG Xin, XIAO Wei
Telephone	(86) 755-8285 3331	(86) 755-8285 3338
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E-mail	secretary@sz-expressway.com	

## II. Proposed Profit Distribution

The Board recommended the payment of a final dividend of RMB0.45 (tax included) per share in cash to all shareholders (2013: RMB0.16 per share), based on the total share capital of 2,180,770,326 as at the end of 2014 and totaling RMB981,346,646.70, for the year 2014, among which special dividend of RMB0.255 (tax included) per share for gains on disposal of Meiguan assets. The aforesaid proposal shall be subject to approval by shareholders at the 2014 Annual General Meeting of the Company. The date of the annual general meeting, the record date for dividend payment, dividend payment procedures and payment date, and the book closure period for H Shares will be notified separately.

## III. Principal Financial Data and Information of the Shareholders

### 3.1 Principal Financial Data

During the Reporting Period, the Group recorded a revenue of RMB3,620 million, representing an increase of 10.40% YOY. Net profit attributable to owners of the Company amounted to RMB2,187 million with earnings per share of RMB1.003, representing an increase of 203.86% YOY.

Unit: RMB

	As at 31 Dec 2014	As at 31 Dec 2013 (Restated <sup>Note</sup> )	Change as compared to the end of last year	As at 31 Dec 2012 (Restated <sup>Note</sup> )
Total assets	24,329,324,209.02	22,840,107,479.91	6.52%	24,209,125,042.19
Owners' equity attributable to owners of the Company	11,797,581,861.32	9,974,420,429.05	18.28%	9,536,486,092.32
	2014	2013	Change as compared to last year	2012
Revenue	3,620,357,480.08	3,279,281,057.26	10.40%	3,134,623,093.04
Net profit attributable to owners of the Company	2,186,883,365.49	719,691,617.00	203.86%	684,526,701.99
Net profit attributable to owners of the Company - excluding non-recurring items	963,942,971.64	828,414,277.54	16.36%	659,695,721.22
Net cash flows from operating activities	1,793,755,282.29	1,761,224,786.28	1.85%	1,530,654,667.48
Return on equity - weighted average (%)	20.14%	7.40%	Increase 12.74 pct.pt	7.33%
Earnings per share - basic (RMB/share)	1.003	0.330	203.86	0.314
Earnings per share - diluted (RMB/share)	1.003	0.330	203.86	0.314

Note:

Since 2014, the three new/revised accounting standards issued by Ministry of Finance and the application guidance thereof issued later had been adopted by the Group. Accordingly, certain accounting items were reclassified and listed, and retrospective adjustment was applied to the relevant items of the comparative financial statements. For details, please refer to the illustration set out in point V below. Each of the financial data contained in this table as at the end of years of 2012 and 2013 remained unchanged in the adjustment.

### 3.2 Information of the Total Number of Shareholders and the Top Ten Shareholders

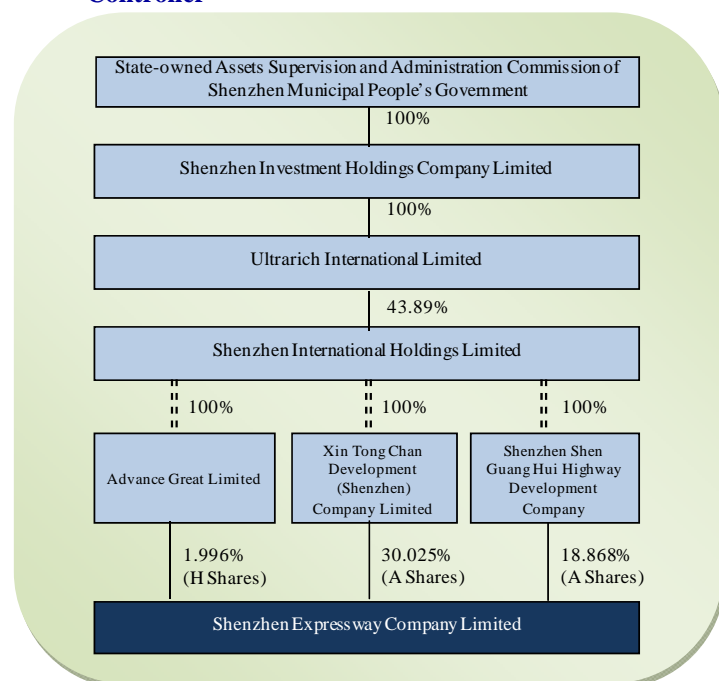
As at the end of the Reporting Period, based on the shareholders' registers provided by the share registrars and the transfer offices of the Company in the PRC and Hong Kong, the information of the total number of shareholders and the top ten shareholders of the Company were as follows:

Unit: share

<b>Total number of shareholders as at the end of 2014</b>	The Company had 34,610 shareholders in total, including 34,344 holders of A Shares and 266 holders of H Shares.				
<b>Total number of shareholders as at the end of the fifth trading day prior to the Reporting Date</b>	The Company had 37,327 shareholders in total, including 37,066 holders of A Shares and 261 holders of H Shares.				
The top ten shareholders as at the end of 2014					
Name of shareholder	Nature of shareholders	Percentage	Number of shares held	Number of restricted circulating shares held	Number of shares pledged or frozen
HKSCC NOMINEES LIMITED <sup>note</sup>	Overseas legal person	32.53%	709,375,098	—	Unknown
Xin Tong Chan Development (Shenzhen) Company Limited	Domestic non-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
DEUTSCHE BANK AKTIENGESELLSCHAFT	Others	0.40%	8,822,727	—	Unknown
WONG KIN PING + LI TAO	Overseas natural person	0.23%	5,000,000	—	Unknown
LI KIU	Overseas natural person	0.13%	3,000,000	—	Unknown
<b>Connected relationship or concerted action relationship among the abovementioned shareholders</b>	Xin Tong Chan Development (Shenzhen) Company Limited and Shenzhen Shen Guang Hui Highway Development Company are connected persons under the same control of Shenzhen International Holdings Limited. There is no connected relationship among the state-owned shareholders in the above table. The Company did not notice any connected relationship among the other abovementioned shareholders or any connected relationship among the abovementioned state-owned shareholders and other shareholders.				

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

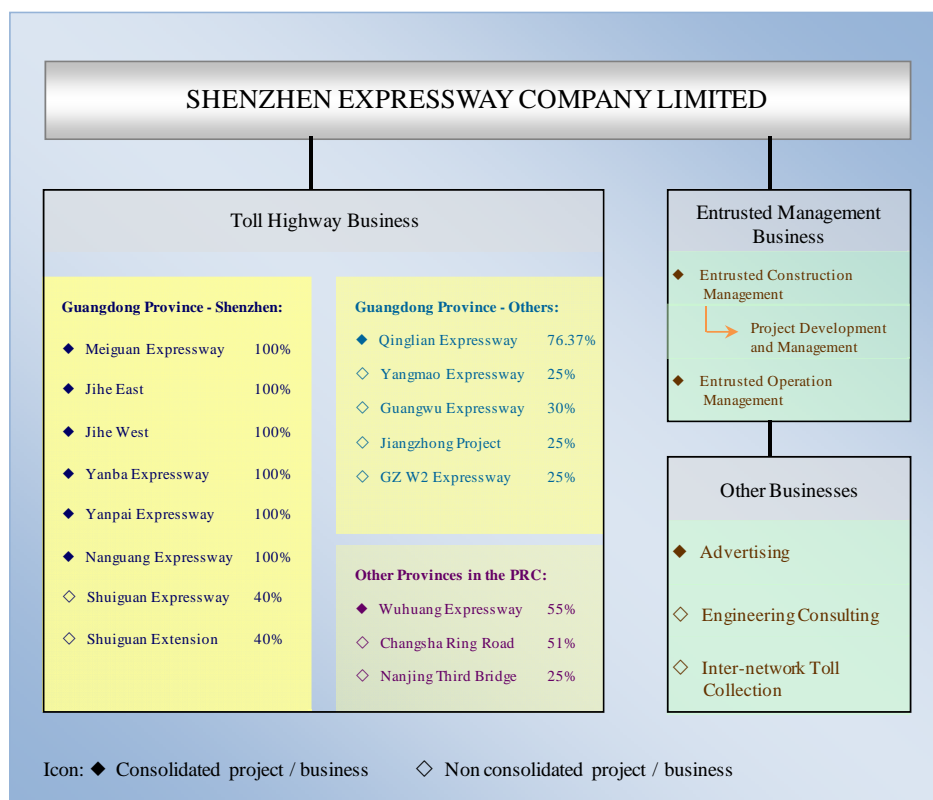
### 3.3 The Ownership and the Relation of Control Between the Company and the De-facto Controller



## IV Report of the Directors

### 4.1 Business Review

The Group's revenues and profits are mainly derived from toll highway operations and investments. In addition, the Group provides outstanding construction management and highway operation management services for the government and other enterprises. Building on 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:



In 2014, the Group earnestly managed the toll highway projects, steadily developed the entrusted management business and prudently attempted to enter into new types of business. During the Year, the Group recorded revenue of RMB3,600,000,000, representing a YOY increase of 10.4%, of which toll revenue of RMB3,000,000,000, entrusted management services revenue of RMB 500,000,000, advertising revenue and other business revenue of RMB 110,000,000, accounts for 83%, 14% and 3% of revenue of the Group respectively.

#### (I) Toll Highway Business

##### 1. Analysis of Economic Environment

###### (1) Economic environment

In 2014, as macro-economy was generally stable, the GDP of the PRC recorded a YOY growth of 7.4%. Meanwhile, the economic structure continued to optimise with investment growth slowing and funding bottleneck deteriorating and downside risk of the economy still existed. During the year, the GDP of Guangdong Province and Shenzhen recorded a growth of 7.8% and 8.8% on YOY basis respectively, slightly above the national average level. In 2014, total import and export of

Guangdong Province and Shenzhen fell at a different degree, and the cargo throughput at Shenzhen Ports also decreased. However, the container throughput reach a high record with a YOY growth of 3.3%, of which that of Yantian Port maintained a YOY growth of 8.1%. In addition, driven by the active adjustment of industrial structure policy in recent years, Guangdong Province recorded a significant growth in consumption in 2014. The total retail sales of consumer goods for the year were RMB2.85 trillion with a YOY growth of 11.9%. In addition, the car ownership in Shenzhen region maintained a fast growth to over 3.1 million as at the end of 2014. Source of data: Governmental statistics information website and the website of Shenzhen Yantian Port Group Co., Ltd.

Under combined effect of macro-economy and regional economic environment, most of our toll highway projects maintained relatively stable organic growth during the Period but showed signs of slowing growth in the fourth quarter.

## (2) Policy environment

In 2014, there was no material change on toll highway industry policies. During the Reporting Period, the amendment of the Regulation on the Administration of Toll Highways was not finalised. The Company actively followed up with the progress of the amendment and provided feedback and support on content and positive effect of the amendment through various channels. The Company also continues to closely monitor the risks and development opportunities presented to our investment projects against the backdrop of the rectification work and adjustment in operating environment, and takes effective measures timely to proceed our relevant work.

Guangdong Province implemented provincial-wide inter-network highway toll at the end of June 2014, and 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, and more convenient and efficient traffic services could be provided to drivers. 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 Province have implemented the policy in 2009 and 2011, respectively, which involved our Qinglian Expressway, Guangwu Project, Yangmao Expressway and Yanba Expressway. The implementation of the policy had limited actual effect on such projects. 2014 was the first year for central district of Guangdong to implement the policy. From data in second half of 2014, the policy had a more positive effect on GZ W2 Expressway but a slight negative effect on revenue of projects in Shenzhen region since the chance of overloading cases was less likely and vehicles of empty loading enjoyed a favorable price.

In recent years, Standardisation Scheme has been implemented in Guangdong Province, and Toll Free Scheme on Holidays and Green Passage Toll Free Policy have been 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 <sup>note</sup>, the implementation of the Standardisation Scheme, Toll Free Scheme on Holidays and Green Passage Toll Free Policy have resulted in the decrease of approximately RMB356 million, RMB162 million and RMB65 million in toll revenue in the consolidated statements of the Group in 2014 annual report, respectively (2013: RMB385 million, RMB136 million and RMB75 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.*

## 2. Business Performance and Analysis

In 2014, the traffic volume and toll revenue of most of the 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) ❶			Average daily toll revenue (RMB'000)		
	2014	2013	Change	2014	2013	Change
<b>Guangdong Province – Shenzhen region:</b>						
Meiguan Expressway ❷	85	130	N/A	414	803	N/A
Jihe East	190	150	26.5%	1,615	1,329	21.5%
Jihe West	150	123	21.5%	1,268	1,048	20.9%
Yanba Expressway ❸	36	31	13.9%	493	444	11.1%
Yanpai Expressway	57	50	14.3%	584	541	8.0%
Nanguang Expressway	87	75	15.7%	840	787	6.7%
Shuiguan Expressway	169	155	8.5%	1,386	1,298	6.8%
Shuiguan Extension	62	39	57.6%	231	176	31.1%
<b>Guangdong Province – other regions:</b>						
Qinglian Expressway	33	28	16.5%	2,136	1,948	9.7%
Yangmao Expressway	35	31	11.0%	1,552	1,469	5.6%
Guangwu Project	32	27	17.5%	802	719	11.6%
Jiangzhong Project	101	90	12.9%	1,019	924	10.3%
GZ W2 Expressway	46	42	9.6%	917	825	11.2%
<b>Other Provinces in the PRC:</b>						
Wuhuang Expressway	39	39	-0.6%	891	1,040	-14.4%
Changsha Ring Road	16	14	15.5%	168	144	17.0%
Nanjing Third Bridge	28	29	-5.6%	1,093	1,172	-6.7%

Notes:

- ❶ Traffic volume which is toll free during holidays is not included in the figures of average daily mixed traffic volume.
- ❷ 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 (“Toll Adjustment Proposal”). As there is a relatively great change on the toll mileage, no YOY change data has been provided in this table.
- ❸ 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.

The effect of factors such as economic environment and policy change on toll highway projects varied due to the difference in the function positioning and operation date of respective projects and conditions of neighboring road network. Operational performance of toll highways is also affected by factors such as competition or synergy effect of neighboring road network, construction of connected or parallel roads, implementation of traffic organisation plans by the government and combined effect of other transportation method. In addition, construction or maintenance of the projects may also have impact on their then operational performance.

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

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, 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 in late of 2013 created slight diversion on the traffic of Nanguang Expressway. Guanjintou toll station of Boshen Expressway commenced operation in October 2014, further driving the traffic volume of Jihe Expressway and Yanpai Expressway. In addition, the New Terminal of Shenzhen Airport was opened in November 2013, boosting the traffic volume of Jihe Expressway and Nanguang Expressway.

The Company commenced the reconstruction and expansion work of the northern Qinghu section of Meiguan Expressway and maintenance works of road surface of Jihe East and Jihe West successively in recent years, which negatively affected the traffic conditions and operational performance of the above mentioned projects and the connected roads. As the maintenance works of road surface of Jihe East and the reconstruction and expansion work of Meiguan Expressway completed in the first half and end of 2013 respectively and the maintenance work of road surface of Jihe West also completed in June 2014, the negative impact of relevant work on relevant projects has diminished. Meanwhile, benefiting from the enhanced traffic capacity and efficiency after the reconstruction and expansion work, the service level and performance of the project was further improved. After the implementation of the Toll Adjustment Proposal in Meiguan Expressway since April 2014, 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.

Affected by the said various factors, the average daily toll revenue of Jihe East and Jihe West was RMB1,615,000 and RMB1,268,000 during the Reporting Period respectively, with a YOY increase of 21.5% and 20.9%, better than that of other projects in Shenzhen region. Before the implementation of Toll Adjustment Proposal, the average daily toll revenue of Meiguan Expressway in the first quarter of 2014 was RMB853,000 with YOY increase 14.2%. After the implementation of Toll Adjustment Proposal, the average daily toll revenue per km of Meiguan Expressway (average daily toll revenue/highway distance) was RMB49,900/km, representing an increase of approximately 19.4% as compared with RMB41,800/km in 2013. For details of the toll adjustment of Meiguan Expressway, please refer to the relevant content in Business Development below.

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

Benefiting from the gradual improvement of neighboring road networks and consistent marketing measures, Qinglian Expressway recorded a good overall performance in 2014 with average daily toll revenue of RMB2,136,000 at a YOY increase of 9.7%. 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. For the section from north to south of Guangqing Expressway, the restricted access measure for heavy trucks has been eased from October 2014, so the service level of the highway was improved. However, Guangle Expressway (Guangzhou – Lechang, in Guangdong), as the dual line of G4 National Expressway (Guangdong Section) has commenced operation at the end of September 2014, which creates a certain degree of traffic diversion for Qinglian Expressway. Under combined impact of the said factors, Qinglian Expressway recorded a YOY decrease of approximately 6.9% on average daily toll revenue in the fourth quarter of 2014, below the overall performance of prior three quarters.

## **(3) Other provinces in the PRC**

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 14.4%. As vehicles which travel between Hefei and Shanghai did not have 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 as our Group's investment in Jiangsu Province. Changsha Ring Road in Hunan Province carried out maintenance of road surface at the end of 2014, which created a negative impact on operational performance from November to December 2014, with a YOY decrease on revenue. However, benefiting from the gradual improvement of road networks, the implementation of traffic control measures of neighboring roads and improvement in business of enterprises along the highway, Changsha Ring Road achieved an overall good performance with a YOY increase of 17% on annual average daily toll revenue.

## **3. Business Management and Upgrade**

During the year, the Group actively participated in various work, such as formulation and review of technological standard and management system, thorough planning of integrated system, transformation and upgrade and research on installation of software and hardware, which was in line with overall arrangement of highway inter-network toll collection in Guangdong Province. The Group also pre-organised training and rehearsal and successfully completed engineering construction and replacement of inter-network system. By effectively communicating with provincial operation platform and establishing rapid settlement system, the Group can promptly process abnormal cases, timely completed revenue sharing and settlement and ensure normal operation and smooth transition of highways in provincial inter-network system. In addition, by making good use of database in provincial inter-network, the Group has established standardisation of terminal operation and inspection management system, commenced to combat toll evasion on a regular basis, effectively implemented supervision of Green Passage and inspection of overloading vehicles and strived to reduce toll loss. Meanwhile, the Group continued to optimise standardised operation management modules, conducted traffic diversion at peak period based on inter-network data and made preparation on emergency plan, kept improving traffic condition and efficiency and increased competitiveness and operational performance of projects. The Group made best use of its influence as a shareholder in the projects in which the Group has minority interests. With close communication with cooperative parties, the Group can ensure the performance of contracts and facilitate the dividend distribution of such projects so as to effectively guarantee the investment return of the Group.



The Group established a provincial-wide traffic distribution model based on a big database. By way of site inspection, route comparison and data analysis, the Group can continuously track the change of traffic condition and traffic trend of road networks in the region, formulate and take specific promotional measures and promote advantages of road networks and projects through various ways to attract traffic and open up growth potential of projects. During the year, our efforts focused on marketing and management of Qinglian Expressway, Nanguang Expressway and Yanba Expressway. Through measures such as media publicity, design and distribution of road map guidance, display of road boards, marketing activities targeted at customer group and provision of user-friendly service, the Group can promote the competitive advantages, function and features of the projects, enhance vehicle diversion and mobilise the resources of road network. On this basis, Qinglian Company optimised the traffic guideline of alternative routes in response to the implementation of restricted access measure for heavy trucks during the expansion of Guangqing Expressway (Guangzhou– Qingyuan, in Guangdong). This can reduce the indirect negative impact of relevant restricted access on operational performance of Qinglian Expressway, in addition to convenient services offered to drivers. In face of traffic diversion effect on Wuhuang Expressway from improving road networks in Hubei Province, our operation team closely monitored the change of road networks, strengthened analysis and study of data in road sections affected by traffic diversion, increased the number of road boards, stepped up promotion and minimised the negative effect.

The Company conducted quality check on highway regularly and continued inspection on highway administration and built up a two-way mechanism between road assets and traffic operational information, which enabled the Company to take timely measures to remove and rectify the unsafe factors in highway or take maintenance measure to better protect the quality, safety and free traffic of highways. During the year, the Group conducted maintenance works for the road surface of Jihe West, Changsha Ring Road and Section A of Yanba Expressway, and studies on application and improvement of precautionary maintenance technology of road surface. In the course of maintenance work of road surface, the Company formulated emergency plans for dealing with traffic congestion and minimised the impact of maintenance work on the traffic flow of highway by improving the construction work plan of the projects and traffic optimisation plan and strengthening the safety management and traffic arrangement in the site of maintenance work. In addition, the Company established a mechanism to conduct regular review on road maintenance plan and an interactive adjustment mechanism in which maintenance technology plans can be improved at the lowest cost during the whole operation period.

#### **4. Business Development**

Based on the holistic consideration of the planning of the economic and transportation development, the Group has conducted an in-depth research and negotiation on relevant matters with Shenzhen government on the toll adjustment of Meiguan Expressway 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 authorised 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 the toll still applies 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), payable in three instalments from 2014 to 2016. Upon the toll adjustment of Meiguan Expressway, 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 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 "Financial Analysis" below. As at the end of the Reporting Period, the Group received the first phase compensation as scheduled. The audit of amount to be confirmed and asset transfer were in progress in accordance with terms of the agreement and planned schedule.

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 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, and the obligation and risks in relation to Qinglian Class 2 Road were basically eliminated.

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 finalised 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 organisation 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 of 1.4 km is approximately RMB 500 million. The project will be constructed with the capital arranged by the government and organised 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.

### **1. Entrusted Management Business**

The entrusted construction management business and the entrusted operation management business, also known as agent construction business and agent operation business, are currently the major businesses of the Group in addition to toll highway business. Leveraging on our expertise and experience accumulated in relevant areas during these years, the Group has realised reasonable revenues and returns from the receipt of management fee and/or bonus according to the calculation method as agreed with the entrusting party through the provision of services relating to construction management and toll highway operation management. In the mode of agent construction business and agent operation business, project construction and operation will be funded by the proceeds raised by the principal.

During 2014, the Company has actively expanded the entrusted construction business and undertaken the construction management of Dezheng Road Project, New Toll Station of Meiguan and Facilities Project as entrusted by Shenzhen Longhua New Area Administrative Committee and its authorised body. Also, the Company was pushing forward the approval procedure in respect of the entrusted construction contract of Guanlan Renmin Road – Meiguan Expressway Joints Project. Save as the aforesaid newly additional businesses, during the year, the entrusted construction business and entrusted operation business of the Group mainly includes Coastal Project, Nanping Phase II, Longda Municipal Section, Guilong Project, Resettlement Project and Longda Project etc.

**(1) 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. During the year, principally the completion settlement and government audit work were launched. During the year, Coastal Company actively pushed forward the various 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 as well as the revision of the feasibility plan of the Project.

All investment of Section A of Nanping Phase II has been completed in July 2013, and principally the settlement and government audit work were commenced for the project during the year. 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. Save as those completed construction works, other works under the original contract will be no more implemented. Meanwhile, construction of the linkage section of Xinghai Avenue and Coastal Expressway was newly added. Following the completion and official opening of the additional linkage section, construction of all the contracted sections of the Section B of Nanping Phase II has been completed and fulfilled the delivery and inspection procedures at the end of October, 2014.

During the Reporting Period, various tasks of Longda Municipal Section, Dezheng Road Project, New Toll Station of Meiguan and Facilities Project were smoothly underway, among which Dezheng Road Project has been completed and delivered for use at the end of September, 2014, and main work of the New Toll Station of Meiguan and Facilities Project were completed and opened for use at middle of February 2015.

With the experience of the entrusted construction business, the Group carried out Guilong Project through Guishen Company, and participated in the regional road construction and development by build-transfer mode (“BT Mode”) in Longli, Guizhou. All construction works, as well as the transfer, of Phase I of Guilong Road has been completed within the first half of 2014. With the successful completion of construction and 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. Phase I of the project has a gross area of approximately 35,000 square meters whereas 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. Resettlement Phase I has been fully completed and fulfilled the delivery and inspection procedures in August 2014. Regarding the Resettlement Phase II, 90% of the construction of its main body was completed as at the end of the Reporting Period. 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 operating procedures and management system applicable to this sector of business.

## **(2) 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. Moreover, pursuant to the Entrusted Management Agreement entered into between the Company and SIHCL in November 2009, the Company was entrusted to manage Coastal Company, including the management of Coastal Expressway (Shenzhen Section) during the construction period and operation period and among which, the specific arrangement in respect of the entrusted management of the operation period of Coastal Company will be confirmed after further negotiation, and subject to the ultimate approval of Shenzhen Government. As at the Reporting Date, the details of the calculation and payment arrangement of the entrusted management fee are still under negotiation, and are subject to the approval procedures handled by the parties of the agreement as stipulated.

For details of the profits and incomes and expenses of various entrusted management businesses during the Reporting Period, please refer to the following contents of “Financial Analysis” and note V\34(a) to the Financial Statements.

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

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

With the improvement of Guilong Road and the infrastructure in peripheral regions and the development of the whole Guilong Economic Zone, it is expected that the peripheral land of Guilong Project will have greater potential for appreciation. In order to effectively reduce the risk of fund recovery from Guilong Project and realise expected or even more incomes from the project, Guishen Company actively engaged in the land tenders within the development area of Guilong Project. From 2012 to the Reporting Date, Guishen Company has successfully won the bid for the land with an area of approximately 2,310 mu (approximately 1,540,000 square meters) with a total consideration of approximately RMB809 million. Guishen Company has set up several wholly-owned subsidiaries to hold and manage the land use rights of the parcels mentioned above.

The Board approved Guishen Company to adopt a progressive development strategy to conduct further development of the land with an area of 300 mu (approximately 200,000 square meters) in the obtained lands on their own with the expected accumulated amount of investment not exceeding RMB850 million. Currently, Guishen Company has completed the overall planning, housing construction design, landscape design, the main construction and the infrastructure construction of the developed area of Project Experience Zone of Phase I of Guilong Development Project (approximately 110 mu, equivalent to 70,000 square meters), of which the construction of the roof of the main structure has been completed. Meanwhile, the Group also conducted sales and marketing planning in which to make best use of the project’s advantages on the environment and strategic location and promote the project as a boutique property of quality on design, construction and management. The project was planned to launch in the first half of 2015. 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 Reporting Date, the Group had a substantial negotiation with the intended transferee, and the transfer procedure is actively in progress. On such basis, Guishen Company will,

through market transfer, cooperative development or self-development regarding the overall market conditions and development opportunities, realise the market value of the lands it holds and the Group's investment gain as soon as possible and prevent the contractual and market risks in relation to the lands in effective way.

### **3. Urban Renewal Project**

Following the implementation of toll-free for Meilin to Guanlan section of Meiguan Expressway with a mileage of approximately 13.8 kilometres, the Shenzhen government gradually carries out urban planning design and renewal work along Meiguan Expressway. According to relevant regulations of Measures on Administration of Urban Renewal of Shenzhen Municipality, the government intends to implement the Meilin Checkpoint Urban Renewal Project, and the Company and SZ International, the controlling shareholder of the Company, as the original owners of the Meilin Checkpoint Renewal Land, has the right to establish a project company as the entity to apply for the Meilin Checkpoint Urban Renewal Project and be responsible for related works in acquiring the land of the project. On 8 August 2014, the Company and SZ 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 XTC Company, a wholly-owned subsidiary of SZ International, jointly contributed capital to establish United Land Company, in which the Company and XTC Company own 49% and 51% equity interests respectively. Such arrangement was approved by the independent shareholders of the Company in the second extraordinary general meeting 2014. For the status of their capital contribution to United Land Company during the year, please refer to the content of "Financial Analysis".

The Meilin Checkpoint Renewal Land is situated at geographically advantageous location with certain advantage on land price over that of the adjacent area, good investment value and appreciation potential. The Company cooperates with SZ International to carry out the project and could meet the government's related requirements on the entity for urban renewal, and to enable both parties to seize the opportunity for urban development and renewal, timely realise the commercial value of current resources, and improve the overall corporate performance and shareholders' returns. As at the end of the Reporting Period, United Land Company commenced the preparatory reporting work of urban renewal transformation project and unit planning and the evaluation and negotiation of compensation for land expropriation and resettlement. Currently the main goal of the Project Company is to obtain the land resources of Meilin Checkpoint Renewal Project on schedule. For the fund arrangement plan related to land acquisition, please refer to the content in "Outlook and Plans" below. Given the strategic positioning and commercial interests of both shareholders of Project Company can be satisfied, transfer of the equity interest of the Project Company or development of the project by Project Company itself will be considered afterward to realise the value of the project. During the Reporting Period, the aforesaid transaction and arrangement had no effect on the financial condition and the operation performance of the Company.

### **4. 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 and acquired high-quality outdoor advertising resources to expand its business scope and market share. 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 year, each of the above business, in general, proceeded smoothly and met the Group's expectation. Limited by the scale, the contribution from these businesses currently accounts for a small proportion of the Group's revenues and earnings. For details of the other businesses of the Company during the Reporting Period, please refer to note V\34 to the Financial Statement.

## 4.2 Financial Analysis

The Group recorded net profit attributable to owners of the Company ("Net Profit") of RMB 2,186,883,000(2013: RMB719,692,000) for 2014, representing a YOY increase of 203.86%. During the Reporting Period, 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 RMB1,114,844,000. Excluding the effect of gains on disposal of such assets and the Loss from Disposal of Qinglian Class 2 Road Assets recognised in the corresponding period of prior year, Net Profit realised a YOY increase of 24.97%. The increase was mainly attributable to the good performance of the Group's core businesses such as toll highways and entrusted construction management services, as well as the reduction in borrowing scale and finance costs.

### (I) Analysis of Main Business

#### 1. Summary of Annual Results and Cash Flow

Unit: RMB'000

Item	2014	2013	Change (%)
Revenue	3,620,357	3,279,281	10.40
Cost of services	1,705,256	1,526,197	11.73
Selling expenses	4,778	184	2,499.64
General and administrative expenses	88,494	87,531	1.10
Financial expenses	419,278	582,278	-27.99
Investment income	187,042	185,677	0.74
Non-operating income	1,510,538	5,775	26,055.86
Non-operating expenses	2,191	244,411	-99.10
Income tax expenses	695,448	163,411	325.58
Net cash flows from operating activities	1,793,755	1,761,225	1.85
Net cash flows from investing activities	494,868	-505,055	N/A
Net cash flows from financing activities	-2,123,007	-2,121,387	0.08

## 2. Revenue

During 2014, the Group recorded revenue of RMB3,620,357,000, representing a YOY increase of 10.40%, of which toll revenue of RMB3,007,632,000, representing a YOY increase of 3.77%, was the main source of revenue of the Group.

The growth of the Group's revenue during the Reporting Period was primarily attributable to the increase in the revenue of entrusted construction management services and toll revenue. The detailed analysis of revenue is set out below:

Unit: RMB'000

Revenue item	2014	Percentage of total (%)	2013	Percentage of total (%)	Change (%)	Description
Revenue from main business – toll highways	3,007,632	83.08	2,898,291	88.38	3.77	①
Other revenue – entrusted management services	503,436	13.91	266,656	8.13	88.80	②
Other revenue – advertising and others	109,289	3.01	114,334	3.49	-4.41	
<b>Total revenue</b>	<b>3,620,357</b>	<b>100.00</b>	<b>3,279,281</b>	<b>100.00</b>	<b>10.40</b>	

### Description:

- ① In 2014, Meiguan Expressway was affected by the adjustment of toll fees, and Wuhuang Expressway was affected by factors including diversion by road network in the surrounding area, 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 certain extent of growth. Of which, the YOY growth of Jihe East and Jihe West exceeded 20% while that of Qinglian Expressway represented a YOY growth of approximately 10%. Details of the operating performance of each project during the Reporting Period are set out in the Business Review above. The income analysed by specific project is set out in point (II) below.
- ② During the year, the Group adjusted and recognised the revenue from the entrusted management services in respect of both Coastal Phase I and Guilong Project of RMB 235,057,000 and RMB 193,110,000 based on the actual settlement of the work, the audit results of the relevant government departments and the progress of completion, representing a YOY increase of RMB 188,236,000 and RMB 69,987,000 respectively, resulting in a substantial increase in the revenue from the entrusted management services for this period on a YOY basis. Details of the revenue from the entrusted management services are set out in note V\34(a) to the Financial Statements. The management period of the entrusted construction management projects normally lasts for more than three years. 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, the related services income and costs recognised by the Group may have a typically higher level of fluctuation.

Given the nature of the Group's business, the target customers of toll highways are not specific. Apart from toll fees, the total revenue from the top five customers of the Group amounted to RMB 502,609,000, representing 13.88% of the overall revenue of the Group.

### 3. Costs

During 2014, the cost of services of the Group amounted to RMB 1,705,256,000 (2013:RMB1,526,197,000), representing a YOY increase of 11.73%, which was mainly attributable to the increase in the cost of entrusted management services and the maintenance expenses and depreciation and amortisation expenses of other ancillary toll highways. A detailed analysis of the cost of services is set out as follows:

Unit: RMB'000

Situation of the sub-segments							
Sub-segments	Cost items	2014	Percentage of total cost for 2014 (%)	2013	Percentage of total cost for 2013 (%)	Percentage of YOY change (%)	Description
Cost of main business—toll roads	Employee expenses	194,709	11.42	208,615	13.67	-6.67	❶
	Road maintenance expenses	156,397	9.17	89,930	5.89	73.91	❷
	Depreciation and amortisation	944,029	55.36	920,410	60.31	2.57	❸
	Other business costs	174,439	10.23	190,392	12.47	-8.38	❹
	<b>Sub-total</b>	<b>1,469,574</b>	<b>86.18</b>	<b>1,409,347</b>	<b>92.34</b>	<b>4.27</b>	<b>❺</b>
Cost of other businesses—entrusted management services	Employee expenses	42,974	2.52	29,515	1.93	45.60	❻
	Depreciation and amortisation	1,039	0.06	959	0.06	8.34	
	Other business costs	128,462	7.53	22,587	1.49	468.73	❼
	<b>Sub-total</b>	<b>172,475</b>	<b>10.11</b>	<b>53,061</b>	<b>3.48</b>	<b>225.05</b>	<b>❼</b>
Cost of other businesses—advertising and others	Employee expenses	5,017	0.29	4,713	0.31	6.45	
	Depreciation and amortisation	31,101	1.82	33,210	2.18	-6.35	
	Other business costs	27,089	1.59	25,866	1.69	4.73	
	<b>Sub-total</b>	<b>63,207</b>	<b>3.71</b>	<b>63,789</b>	<b>4.18</b>	<b>-0.91</b>	
<b>Total of cost of services</b>		<b>1,705,256</b>	<b>100.00</b>	<b>1,526,197</b>	<b>100.00</b>	<b>11.73</b>	

#### Description:

- ❶ Mainly due to the fact that Meiguan Expressway Toll Free Section has implemented the toll-free policy since 1 April 2014, the employee expenses of the related businesses is accordingly reduced.
- ❷ Mainly due to the fact that Qinglian Company completed the maintenance and transfer of Qinglian Class 2 Road during the Reporting Period and recognised the road maintenance expense of RMB38,000,000 and the saving of actual maintenance expenses for Jihe East during 2013, which was RMB21,198,000 less than the provisions, setting off against the current cost.
- ❸ Mainly as a result of the combined effect of growth in traffic volume of various highways, adjustment of unit usage of intangible assets of some toll roads and the amount of assets carried forward upon completion of the expansion works of Meiguan Expressway in the end of 2013.
- ❹ Mainly resulting from the fact that the entrusted management fee expense of Wuhuang Expressway decreased correspondingly due to decrease in revenue.
- ❺ Costs presented based on detailed items are set out in point (II) below.



- ⑥ Cost of entrusted construction management services mainly represents employee expenses related to the project management and other service cost arising from the audit results on the projects made by the government and the contracted commitment. During the Reporting Period, the increase in employee expenses was mainly attributed to the increase in headcounts and performance bonus for the employees in respect of the entrusted construction management business based on the growth in business. The increase in other business cost was mainly attributed to the adjustment and recognition of the cost of entrusted construction management services according to the settlement of actual progress of Coastal Phase I. The entrusted management cost recognised during the year primarily included the cost of construction management services of Coastal Phase I, Guilong Project, Nanping Phase II and Resettlement Phase I, which amounted to RMB150,761,000, RMB25,516,000, -RMB9,470,000 and RMB757,000 respectively.

The purchases from the Group's top five suppliers amounted to RMB155,169,000, accounting for 21.28% of total purchases of the Group.

#### 4. Expenses

The Group's selling expenses for the year 2014 amounted to RMB4,778,000 (2013: RMB184,000), representing a YOY increase of RMB4,594,000. The increase was mainly attributable to the increase in preliminary selling expenses of Phase I of Guilong Development Project.

The Group's general and administrative expenses for the year 2014 remained same level generally with the corresponding period of prior year, amounted to RMB88,494,000 (2013: RMB87,531,000), representing a YOY increase of 1.10%

The Group's financial expenses for the year 2014 amounted to RMB419,278,000 (2013: RMB582,278,000), representing a YOY decrease of 27.99%, 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 the Analysis of Asset/Liability for details of the borrowing scale. A detailed analysis on financial expenses is as follows:

Unit: RMB'000

Financial expenses item	2014	2013	Change (%)
Interest expenses	525,036	599,086	-12.36
Less: Interest capitalised	83	16,968	-99.51
Interest income	107,937	24,975	332.18
Exchange gain/loss and others	4,941	-632	N/A
Add: Time value of provisions for maintenance/resurfacing	7,203	24,503	-70.60
<b>Total financial expenses</b>	<b>419,278</b>	<b>582,278</b>	<b>-27.99</b>

During the year 2014, the Group's income tax expenses amounted to RMB695,448,000 (2013: RMB163,411,000), representing a YOY increase of 325.58%. 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 notes IV and V\41 to the Financial Statements.

## 5. Investment Income

During 2014, the Group's investment income from joint ventures and associates amounted to RMB187,042,000 (2013: RMB185,677,000), representing a YOY increase of 0.74%. Excluding Changsha Ring Road, the investment income of other joint ventures and associates recorded a YOY growth to certain extent. This was mainly attributable to the YOY overall increase in toll revenue as a result of the combination of such factors as the regional economic development and the changes in the traffic distribution in the road network, as well as the overall decrease in corporate borrowing scale and financial costs. During the year, Changsha Ring Road recorded certain loss as a result of special road surface maintenance. A detailed analysis on investment income from joint ventures and associates is as follows:

Unit: RMB'000

Toll highway	Toll revenue		Cost of services of toll highways		Gross margin of toll highways		Investment income of the Group <sup>Note</sup>	
	2014	Change (%)	2014	Change (%)	2014	Change (pct. pt)	2014	Change
<b>Joint ventures:</b>								
Changsha Ring Road	61,290	16.97	126,282	270.13	-106.04	-140.92	-25,232	-38,278
<b>Associates:</b>								
Shuiguan Expressway	505,727	6.77	173,469	5.20	65.70	0.51	70,535	8,902
Shuiguan Extension	84,254	31.12	65,009	25.78	22.84	3.27	-1,238	3,071
Yangmao Expressway	564,738	5.32	183,813	-3.70	67.45	3.05	64,937	7,996
Guangwu Project	292,718	11.61	123,006	12.87	57.98	-0.47	27,737	6,887
Jiangzhong Project	372,045	10.26	249,478	6.44	32.94	2.41	7,217	4,156
GZ W2 Expressway	334,781	11.21	144,391	3.15	56.87	3.37	13,809	4,149
Nanjing Third Bridge	399,116	-6.66	135,228	-16.11	66.12	3.82	25,649	4,538
<b>Total</b>	/	/	/	/	/	/	<b>183,414</b>	<b>1,421</b>

Note: Investment income of RMB4,505,000 (2013: RMB3,684,000) and RMB-877,000 (2013: Nil) from Consulting Company and United Land Company, respectively were not included in the figures of investment income of the Group as set out in the above table. Details are set out in notes V\9 and 38 to the Financial Statements.

## 6. Non-operating Income and Expenses

During 2014, there is a significant increase in the Group's non-operating income mainly resulted from the Group's disposal of the related assets of Meiguan Expressway Toll Free Section and the recognition of gain from disposal of assets. Details of Gains on Disposal of Meiguan Assets are set out below.

In 2014, there is a significant decrease in the Group's non-operating expenses mainly resulted from the disposal of the book value of related assets of Qinglian Class 2 Road made by the Group in 2013. The relevant net asset value and liquidation expense of assets of approximately RMB 241 million were included in non-operating expenses as loss from disposal of assets, resulting in a reduction of RMB 138 million in net profit of the Group for 2013. For details of Disposal of Qinglian Class 2 Road Assets, please refer to the Annual Report 2013 of the Company.

## 7. 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 Group's net cash inflows from operating activities and cash return on investments<sup>Note</sup> totaled RMB1,888,989,000 (2013: RMB1,853,843,000), representing a slight YOY increase of 1.90%. As a result of the receipt of the first installment of compensation for adjustment of toll fees of Meiguan Expressway and decreased capital expenditures, the net cash inflows from investing activities amounted to RMB495 million. The net cash outflows from financing activities were at the same level as last year as a result of the issue of medium-term notes of RMB1.0 billion, and the relevant financing arrangement and debt structure adjustment.

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

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

## 8. 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 III\17(1), 27(2)(a) and 28(2) to the Financial Statements.

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 2014, the amortisation difference under the two methods of amortisation attributable to the Company based on its share of interests was RMB60 million, representing a YOY decrease of 32%. 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.

## 9. Description of General and Special Matters

In 2014, the Group continued to adopt the current strategy as its policy guide. In view of the opportunities and challenges from the changes of internal and external environment, the Group prudently acted and actively responded towards such opportunities and challenges so as to achieve the management objectives as set in the beginning of the year. There is no material difference in the aspects such as income and cost control of main business with the plan formulated in the beginning of the year.

The Group recognised Gains on Disposal of Meiguan Assets of approximately RMB1.1 billion, representing about 51 % the net profit for the year. Save for the effect of aforesaid gains on disposal of assets and loss from disposal of assets of 2013, the Group's net profit realised a YOY increase of 24.97% with no material changes in the composition and sources of profit.

### ***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 was transferred to the Shenzhen government since 1 April 2014, the Group disposed the book value of the related assets of Meiguan Expressway 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 RMB1,114,844,000 has been recognised, resulting in a corresponding increase in the Group's net profit for the Reporting Period of RMB1,114,844,000. The relevant analysis of disposal of assets of Meiguan Expressway Toll Free Section is as follows:

Unit: RMB'000

Items	Amount
1. Income loss/cost compensation ❶	1,940,870
Add: Transaction tax compensation ❷	574,854
Less: Book value of net asset value	832,583
Related taxes such as Business tax ❸	150,890
Other related expenses	36,241
2. Profit before tax (non-operating income)	1,496,010
Less: Income tax expense of current period ❹	423,964
Deferred income tax expense	-42,798
3. Net gain after tax on disposal of assets	1,114,844

Notes:

- ❶ 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.
- ❷ Transaction tax and related compensation amount are estimated figures, it is subject to the actual levy by Tax Authorities, but have no effect on the net gain on disposal of assets.
- ❸ 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 operating costs in the future by installments.

Pursuant to the Adjustment Agreement, share of 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.

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

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

Unit: RMB'000

Breakdown of main business by industry						
Industry	Operating income	Operating costs	Gross Profit margin (%)	Change in operating income against 2013 (%)	Change in operating costs against 2013 (%)	Change in gross profit margin against 2013 (%)
Toll highway	3,007,632	1,469,574	51.14	3.77	4.27	Decrease of 0.23%
Breakdown of main business by product						
Product –Toll highway	Operating income	Operating costs	Gross Profit margin (%)	Change in operating income against 2013 (%)	Change in operating costs against 2013 (%)	Change in gross profit margin against 2013 (%)
Qinglian Expressway	779,751	438,868	43.72	9.68	2.96	Increase of 3.67%
Jihe East	589,321	304,000	48.42	21.51	20.34	Increase of 0.50%
Jihe West	462,659	101,866	77.98	20.92	13.38	Increase of 1.47%
Wuhuang Expressway	325,202	175,683	45.98	-14.36	-12.23	Decrease of 1.31%
Nanguang Expressway	306,476	159,287	48.03	6.67	10.07	Decrease of 1.61%
Yanpai Expressway	213,233	91,995	56.86	7.98	8.05	Decrease of 0.03%
Yanba Expressway	180,032	109,325	39.28	11.11	10.63	Increase of 0.26%
Meiguan Expressway	150,958	88,550	41.34	-48.50	-20.79	Decrease of 20.52%
<b>Subtotal</b>	<b>3,007,632</b>	<b>1,469,574</b>	<b>51.14</b>	<b>3.77</b>	<b>4.27</b>	<b>Decrease of 0.23%</b>

#### Description:

During the Reporting Period, the overall profit margin of the Group's affiliated toll highways was 51.14%, remained same level as last year. Of which, the growth and gross profit margin of Qinglian Expressway, Jihe East and Jihe West improved respectively. The amount carried forward upon completion of the expansion works of Meiguan Expressway in the end of 2013 and the Group disposed of the assets of Meiguan Expressway Toll Free Section in the second quarter of 2014. With the combined effect of these aspects, the gross profit margin of Meiguan Expressway decreased as compared to the corresponding period of the previous year. Save for the effect of Meiguan Expressway, the overall gross profit margin of other affiliated toll highways for the year 2014 was 51.66%, representing an increase of 1.46%.

### 2. Main Business by Regions

Unit: RMB '000

Region	Revenue	Increase or decrease (%) of revenue over last year
Toll highway business - Guangdong Province	2,682,430	6.51
Toll highway business - Hubei Province	325,202	-14.36

### (III) Analysis of Assets/Liabilities

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 72.53% of its total assets, and cash at bank and on hand and other assets, which accounts for 6.72% and 20.75% of its total assets, respectively. As at 31 December 2014, the Group's total assets amounted to RMB24,329,324,000 (31 December 2013: RMB22,840,107,000), representing a YOY increase of 6.52%. 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 and the increase of receivables from entrusted construction projects.

As at 31 December 2014, outstanding bonds payable and bank borrowings of the Group amounted to RMB8,048,610,000 (31 December 2013: RMB9,297,563,000), representing a decrease of 13.43% over the end of 2013. The decrease was mainly attributable to early repayment of part of long-term borrowings by the Group during the reporting period based on its financial position and funding requirements, of which Qinglian Project utilised borrowings of RMB5.18 billion. In 2014, the average size of borrowings of the Group was RMB 8.91 billion (2013: RMB 10.19 billion), representing a YOY decrease of 12.56%.

#### 1. Analysis of Assets and Liabilities

Unit: RMB '000

Name of project	31 December 2014	Share (%) of balance at the end of 2014 to total assets	31 December 2013	Share (%) of balance at the end of 2013 to total assets	YOY change (%)	Description
Cash at bank and on hand	1,634,299	6.72	1,094,797	4.79	49.28	①
Accounts receivable	721,307	2.96	495,331	2.17	45.62	②
Advances to suppliers	236,722	0.97	134,810	0.59	75.60	③
Other receivables	98,912	0.41	165,949	0.73	-40.40	④
Inventories	534,748	2.20	345,018	1.51	54.99	⑤
Current portion of non-current asset	800,000	3.29	-	-	N/A	⑥
Long-term receivable	1,291,780	5.31	-	-	N/A	⑦
Short-term borrowings	23,667	0.10	450,400	1.97	-94.75	⑧
Accounts payable	164,271	0.68	375,720	1.65	-56.28	⑨
Taxes payable	529,265	2.18	73,911	0.32	616.09	⑩
Interest payable	102,382	0.42	70,058	0.31	46.14	⑪
Dividend payable	28,626	0.12	-	-	N/A	⑫
Other payables	935,705	3.85	518,800	2.27	80.36	⑬
Current portion of non-current liabilities	1,022,387	4.20	620,327	2.72	64.81	⑭
Provisions	88,745	0.36	206,979	0.91	-57.12	⑮
deferred income	162,850	0.68	-	-	N/A	⑯
Other non-current liabilities	59,874	0.25	-	-	N/A	⑰

**Descriptions:**

- ① Increase in tax payable provision related to the income arising from disposal of Meiguan assets, and the increase in balance of government fund from entrusted construction projects.
- ② Entrusted construction management services income of the Coastal Phase I and Guilong Project was recognised.
- ③ A subsidiary of the Company successfully bid the land use right of Guilong Land and paid land premium, part of which has not met the delivery condition.
- ④ Recovery of part of construction advances of Guilong Project.
- ⑤ Transfer of the part of the Guilong Land held by the subsidiary of the Company as the advances into inventories for auditing, and increase in land development expense.
- ⑥ Second instalment compensation of RMB 800 million for toll adjustment of Meiguan Expressway shall be collected before August 2015.
- ⑦ Recognition of the third instalment compensation and relevant interests for toll adjustment of Meiguan Expressway and recognition of entrusted management services income of Guilong Project to be collected over one year.
- ⑧ Repayment of part of short-term borrowings.
- ⑨ Payment of part of project funds and quality deposits for Qinglian Project and the reconstruction and expansion of Meiguan Expressway.
- ⑩ Income tax expenses as a result of the recognition of Gains on Disposal of Meiguan Assets were settled in January 2015.
- ⑪ Interests on medium-term notes issued this year were accrued.
- ⑫ Recognition of dividend payable to minority shareholders by JEL Company.
- ⑬ The increase in balance of government fund from entrusted construction projects and provision of entrusted management services cost of the Coastal Phase I.
- ⑭ Transfer of private placement notes of RMB 800 million to be due in 2015 into non-current liabilities due within one year and repayment of part of long-term borrowings due during the reporting period.
- ⑮ Transfer of repair expense of Yanpai Expressway and Yanba Expressway to be implemented in 2015 into non-current liabilities due within one year.
- ⑯ Recognition of compensation to the future operating costs of additional ramp toll stations to be built after the toll adjustment of Meiguan Expressway.
- ⑰ Recognition of the long-term tax related to compensation relating to the toll adjustment of Meiguan Expressway, the part due within one year being deducted.

**2. Description on Changes in Measurement Nature of Assets and Major Assets Measured at Fair Value**

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 RMB23,731,000 worth of foreign currency-denominated monetary liabilities in HK\$, while RMB1,416,000 and RMB93,000 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 the interest rate and exchange rate. As at

the end of the Reporting Period, such loan was settled in full on schedule. The aforesaid derivative financial liabilities measured at fair value and the changes in fair value during the Reporting Period are as follows:

Unit: RMB '000

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	10,051	No

### 3. Capital Structure and Debt Repayment Capability

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

	31 December 2014	31 December 2013
<b>Debt-to-asset ratio</b> (Total liabilities / Total assets)	46.07%	50.79%
<b>Net borrowings-to-equity ratio</b> ((Total borrowings - cash and cash equivalents) / Total equity)	51.78%	73.03%
	2014	2013
<b>Interest covered multiple</b> ((Profit before tax + interest expenses) / Interest expenses)	6.57	2.44
<b>EBITDA interest multiple</b> (Earnings before interests, tax, depreciation and amortisation / Interest expenses)	8.42	3.98

### 4. Liquidity and Cash Management

During the Reporting Period, as a result of relatively large scale of total liabilities, certain 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 June as provision for the sell-back of corporate bonds in July 2014, and arranged an appropriate amount of capital at the end of the year, which will be used for tax provision related to the income arising from disposal of Meiguan assets. 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.



Unit: RMB million

	31 December 2014	31 December 2013	Change
Net current assets	1,092	3	1,089
Cash and cash equivalents	1,255	1,090	165
Banking facilities available	5,507	6,031	-524

## 5. Contingencies

Details on the Group's contingencies during the Reporting Period are set out in note XI\2 to the Financial Statements.

### (IV) Analysis of Our Investment

#### 1. Equity Investment in External Companies

During the Reporting Period, the equity investment of the Group amounted to RMB482 million (2013: RMB20 million) this year, representing YOY increase of RMB462 million or 2,281.11%. Additional equity investment of the Group in 2014 included establishment of Luyun Company and Property Management Company, being wholly-owned subsidiaries of the Company, and United Land Company, being an associate of the Company, and completion of capital injection in Qinglian Company and Property Company, being subsidiaries of the Company. The details are as follows:

Unit: RMB '000

Name of investee companies	Major business	Shareholding	Investment in 2014	Description
Qinglian Company	Construction, operation and management of Qinglian Expressway and related ancillary facilities	76.37%	194,774	Shareholders of Qinglian Company increased capital injection with the amount of RMB255,040,000 in cash into Qinglian Company in proportion to their shareholding to meet the funding requirements of the project construction and optimise the capital structure.
Property Company	Comprehensive land development, real estate development and leasing etc.	70%	157,000	Guishen Company, a indirect subsidiary of the Company, increased capital injection with the amount of RMB 157,000,000 in cash into Property Company to meet the funding requirements of the project construction and optimise the capital structure.
Luyun Company	Project consultancy, project design, project construction management as well as construction and operating management of public service facilities.	100%	100,000	In order to expand operation and development and financing channels, the Company set up Luyun Company, a wholly-owned subsidiary of the Company in Qianhai, Shenzhen with registered capital of RMB 100 million. The Company completed capital injection into such company in October 2014.
United Land Company	As the entity and legal person to apply for the Meilin Checkpoint Urban Renewal Project and be responsible for related works in acquiring the land and resettling of the Meilin Checkpoint Urban Renewal Project	49%	29,400	For details, please refer to business review above. The registered capital of first phase of United Land Company was RMB 200 million, of which RMB60 million of capital injection completed as at 31 December 2014. The Company made capital injection of RMB 29,400,000 in proportion to our shareholding.
Property Management Company	Property management, landscaping works, cleaning service, etc.	100%	1,000	Established by Investment Company, a wholly-owned subsidiary of the Company.
<b>Total</b>	/	/	<b>482,174</b>	/

## 2. Analysis of Major Subsidiaries and Participating Companies

Units: RMB'000

Company name	Percentage of interests held by the Group	Registered capital	31 December 2014		2014			Principal business
			Total assets	Net assets	Revenue	Operating profit	Net profit/(Net loss)	
Meiguan Company	100%	332,400	2,536,905	536,931	151,672	150,477	1,228,628	Construction, operation and management of Meiguan Expressway
Jihe East Company	100%	440,000	2,409,686	1,712,264	590,092	261,039	196,614	Construction, operation and management of Jihe East
Mei Wah Company	100%	HK\$ 795,381	1,200,508	1,175,221	-	66,620	66,620	Indirectly holding 25% interests in Qinglian Company and 55% interests in Magerk Company
Qinglian Company	76.37%	3,361,000	8,739,236	3,083,551	782,885	1,300	-29,461	Construction, operation and management of Qinglian Expressway and auxiliary facilities
JEL Company/ Magerk Company	55%	US\$ 28,000	1,045,692	823,717	330,677	145,691	109,208	JEL Company: investment holding (holding interests in Magerk Company); Magerk Company: toll collection and management of Wuhuang Expressway
Qinglong Company	40%	324,000	2,080,908	537,649	512,092	235,941	179,106	Development, construction, toll collection and management of Shuiguan Expressway
Investment Company	100%	400,000	1,159,147	770,769	211,604	145,014	98,748	Investment in industries and project construction
Guishen Company	70%	500,000	1,151,029	741,839	193,110	145,210	141,347	Investment, construction and management of road and urban and rural infrastructure

During the Reporting Period, Meiguan Company has disposed of the assets of Toll Free Section and recognised a net gain from disposal of assets. Excluding the effect of gains from disposal of such assets, the net profit of Meiguan Company had declined YOY; Investment Company recognised the entrusted construction management revenue of the Guilong Project and Resettlement Phase I with YOY increase in net profit. For the operational and financial performance of the major subsidiaries and participating companies mentioned above during the Reporting Period, please refer to the relevant parts of business review and financial analysis as set out in this section.

## 3. Use of Non-raised Capital

During the Reporting Period, the capital expenditures of the Group on the intangible assets and fixed assets mainly comprised the settlements of projects such as the reconstruction into an expressway for Qinglian Class 1 Highway, the reconstruction and expansion for Meiguan Expressway and the investment in mechanical and electrical facilities in ancillary operating highway section and capital expenditures of the subsidiaries, totaling approximately RMB342 million.

The investments in major projects are as follows:

Units: RMB'000

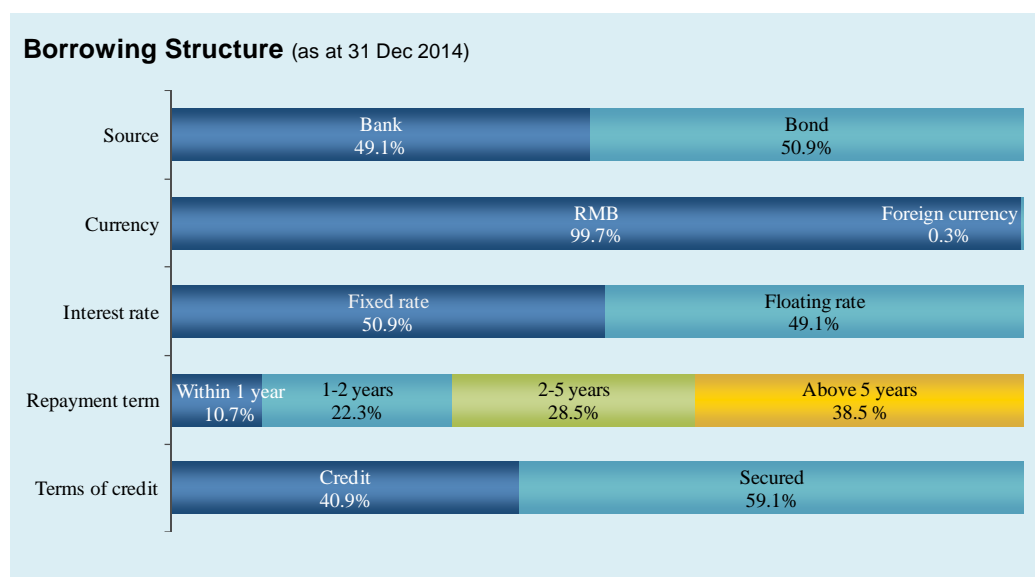
Project Name	Project Amount	Project Progress	Amount invested during the Year	Accumulated amount invested	Gains from the project
Reconstruction and expansion for Meiguan Expressway	727,680	100%	85,246	630,578	For details of the operational performance of related projects during the Period, please refer to the Analysis of Main Business as set out above.
Qinglian Project	6,125,390	100%	98,100	6,041,360	
Nanguang Expressway	3,149,280	99%	14,102	3,068,022	
<b>Total</b>	/	/	<b>197,448</b>	/	

#### (V) Financial Strategies and Financing Arrangements

During the Reporting Period, the credit growth of financial institutions was stable in general, market liquidity was moderately loose and capital market saw recovery while the funding rate in bond market showed a downward trend. The Company will continue to closely monitor the conditions of the capital market, actively review on new financing channels, and optimise and adjust its financing strategies and capital structure by taking into consideration of the actual requirements of the Company. 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; in the second half of the year, based on the Company's actual financial position and the future fund requirements, repaid part of the bank borrowings in advance so as to lower the consolidated capital costs.

The Group's composite borrowing costs for the Reporting Period amounted to 5.81% (2013: 5.84%), which was 0.03 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 enterprise bonds issued in prior years and corporate bonds were maintained at their original ratings of AAA or AA+.

As at 31 December 2014, the Group had obtained a total of RMB13.16 billion of banking facilities, including RMB7.5 billion of credit facilities specifically for projects under construction and RMB5.66 billion of general credit facilities. As at the end of the Reporting Period, unutilised banking facilities amounted to RMB5.51 billion, of which RMB0.21 billion was credit facilities specifically for projects under construction and RMB5.3 billion was general credit facilities.

### **4.3 Outlook and Plans**

#### **(I) Industry Competition Landscape and Development Trend**

##### **1. Analysis on Operating Environment**

Following the gradual implementation of the “deeper reform” decision from the Third Plenary Session of the 18<sup>th</sup> CPC Central Committee, China’s economy has undergone some impressive trendy changes and made a balance between “stable growth” and “promoting transformation”. In 2015, the government is expected to continue the deeper reform, promote the expansion of domestic demand, launch and refine the proactive financial policy and prudent monetary policy, adjust the organisation structure and push forward the innovation as its main strategic theme. The macro-economic control would focus on the concept of “liquidise remnant, control increment and boosting efficiency” in response to the new challenges arising from the increasingly more sophisticated environment domestically and overseas. In the foreseeable future, China’s economy would still maintain its growth to some extent, but under more downside pressure. Meanwhile, global economy will recover at a slow pace. Though market confidence resumes, the uncertainty of geopolitics, price adjustment in bulk commodities and the divergence of the major economies may lead to volatility and shock to the global economy. With these backgrounds, the uncertainty of traffic volume and toll revenue growth would be increased, as well as the problems arising from operation management.

Along with the increasing popularity of cars and increasing car ownership, the public and the criticism are paying more attention to the toll highway industry in two ways, namely: the satisfaction on the toll highway products and services and the demand for the related public welfare. Besides, following the social development and the economic transformation, toll highway industry faces new requirements and challenges in various aspects such as safety facilities, service standard, maintenance and environmental protection. It is expected that, with the interactions among the policy orientation, social critics, public demand and the reformation of the toll highway industry, a positive and healthy development of the industry is foreseen.

According to the road network plans formulated by the state and local authorities, the demand for the traffic infrastructure including expressways by the society still exists. At the backdrop of inadequacy in funds for construction and the economic measure of diversified-ownership launched in China, opportunities in acquisition of high quality toll highway project or participation in project investment, construction and operation management by way of innovative investment or financing modes may arise. Regarding the infrastructure construction, the government is pushing forward and promoting the application of PPP mode. Comparing to the traditional investment and financing mode, the PPP mode of cooperation is more complicated, its modes of return are more flexible and diversified, providing more business opportunities to the companies while imposing higher requirements for their capability in innovation of business modes.

Along with the urbanisation progress, pressure will be put on those toll highway projects located in the economically developed regions or peripheral areas which could become the target of repurchase by the government. Following the principle of marketisation and the practice of making compensations to the repurchase project, the interest of the enterprises and their shareholders could be secured. However, the free road access would also bring new changes to the traffic distribution of regional road network, resulting in positive or negative impacts on the results of the enterprises operating toll highways at that period, and new challenges to the sustainable operation and development of the enterprises. On the other hand, the progress of new mode urbanisation would induce huge demand for infrastructure construction or upgrade and reconstruction and for the maintenance management upon putting in use of the infrastructure, provide more opportunities for the Company to develop entrusted management business with its professional skill and experience.

In 2015, it is expected that the Central Bank would adopt more flexible monetary policy, strengthen the coordination of monetary, credit and industry policies, ensure adequate capital liquidity and demand of the priority industries for development. The Company will closely follow the policy and market changes, identify and recognise various new policies, instruments, modes and risks, make reasonable financial arrangement and lower the capital cost.

## **2. Analysis on Operating Conditions**

Since 2013, the projects such as Boshen Expressway, Coastal Expressway, Phase II of Qingping Expressway in Shenzhen and its neighbouring areas has been completed and opened to traffic in succession. Also, the maintenance works for the road surface of Jihe West has been completed, the toll adjustment proposal of Meiguan Expressway has been officially implemented and the mainline toll station has been relocated as well as part of the sections which link municipal roads and with expressways have been opened to traffic or scheduled to be completed in 2015. As such, the traffic distribution and composition in the regional road network will have some changes and adjustment, resulting in certain positive or negative impacts on the Group's toll highway projects in Shenzhen area. In addition, the toll collection in Yantianao Tunnel in Shenzhen has been cancelled with effect from 1 February 2015, bringing greater diversion impact on Yanpai Expressway of the Group.

Guangle Expressway (Guangzhou – Lechang, in Guangdong), being the G4 National Expressway (Guangdong Section) (formerly known as Jingzhu Expressway) Dual-line was commenced operation in September 2014, and Erguang Expressway Yongzhou, Hunan to Lianzhou, Guangdong section was commenced operation in December 2014. As the layout of the above sections is similar to that of Qinglian Expressway, and construction of the link between Erguang Expressway and Qinglian Expressway is under way, a certain diversion on Qinglian Expressway would be resulted at this stage. 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. The restricted access measure for heavy transport vehicles for north to south direction was released in October 2014. According to its announced plans, the whole works will be completed by the end of 2016. The construction of the link between Guangqing Expressway and Qinglian Expressway is commenced in November 2014 and is planned to be completed by the end of 2017. Upon completion of these projects, the traffic efficiency and quality of the service of the whole channel will be improved, making full use of its major traffic routes between Hunan and Guangdong Provinces. The operating performance of the Qinglian Expressway is enhanced due to the further optimisation of its competitiveness.

In 2015, the traffic diversion on the Wuhuang Expressway by Han'e Expressway (Wuhan – Ezhou, in Hubei) and Xianhuang Expressway (Xianning – Huangshi, in Hubei) and the negative impact of the municipal traffic measures on the project still continue. However, such impact is gradually weakened as the neighboring road networks of Wuhuang Expressway became stable. In addition, Hubei Province is promoting the launch of accurate toll sorting, the complete edge in toll prices of Wuhuang Expressway among the peers will then be highlighted, so as to recover and enhance the operating performance of the project. Currently the effective launching date of such measure is not determined yet.

## **(II) Development Strategies of the Company**

Under the leadership of the new session of the Board in 2015, the Company will continue to conduct in-depth study of the changes in development of both internal and external environment. It will put more effects on the modification of the strategies and formulate, consolidate and deploy the new strategies. During the review and formulation of the upcoming strategies, focus will be placed for the following works and directions:

- ☞ Enhance the revenue level and profit contribution by speeding up the development of the existing highway projects. Review and attempt new investment modes and consolidate the main business, invest and acquire quality highway projects in a moderate manner depending on market conditions and opportunities, and enhance the asset scale, profitability, cash flows and management efficiency of the main business.
- ☞ Pay close attention to the reform trend and direction of the toll highway business, grasp the opportunities for assets adjustment and optimisation, strive for high quality resources and obtain bigger development space and potential.
- ☞ Based on the resources and capacity of the Company and in cooperation with the industry leader, research and attempt related industries that match the company's core business capacity, consistent with the national policy orientation and development trend, so as to foster synergy effect and mutual benefits.
- ☞ With integration of corporate management resources of core business, actively study on and promote direction of the improvement, extension and industrialisation of the business capacity of operation and construction. Build the organisation structure and group control mechanism that support the strategic development to enhance management efficiency.
- ☞ Strengthen the research on the diversification of equity, equity financing and new debt instruments of the capital market by leveraging the resource advantage, financing platform and financing opportunities from capital market. Promote the financing work in combination with the business development plan to finance and provide financial reserve for the implementation of strategies. Enhance the development capacity and comprehensive return by further optimising the financial structure.
- ☞ Facilitate the mechanism of the talent nourishment as well as long term incentive which accommodate to the corporate development in order to foster mutual growth of value for the Company and employees at the same time.

### (III) Operation Plans

In 2015, the working goals and focuses for the Group are as follows:

- ☞ **Operating targets:** Based on the reasonable analysis and expectation on our operating environment and operating conditions, the Group has set a total toll revenue target for 2015 of not less than RMB3 billion, with the total of operating costs, management expenses and marketing expenses (excluding depreciation and amortisation) approximately RMB0.85 billion. In 2015, it is expected that the average borrowing scale of the Group will be lower on a YOY basis, thus the financial cost of the Group will be decreased as compared to 2014.
- ☞ **Toll highway business:** Strengthen the standardisation management, enhance the overall operation management quality and operational service standard. Improve various measures of inter-network toll collection in Guangdong Province and be well prepared for the national-wide inter-network toll collection. Conduct an in-depth study on road networks and changes in traffic and adopt a customised road networks sales and marketing strategy to meet the toll revenue target. Pursue the concept of optimal maintenance cost control during the whole operation period by preventive maintenance technology to reinforce the management and cost control on road maintenance.
- ☞ **Entrusted Management Business:** Prepare preliminary organisation and planning of the project and enhance procedure control and management during the project. Perform an effective construction cost control and conclude the experience of entrusted construction management. Ensure the co-ordination for the collection of entrusted construction account receivables and actively explore opportunities of entrusted construction business.
- ☞ **Project development and management:** Facilitate the progress of various activities related to the Guilong Project. Obtain land resources of Meilin Checkpoint Urban Renewal Project as planned. Successfully launch the research and proceed negotiations for the investment mode for the Outer Ring Expressway, the operational management mode for the Coastal Project and the development mode for the Urban Renewal Project as well as ongoing risk monitoring and management.
- ☞ **Financing and financial management:** Comprehend the finance environment and the change in credit policy in a timely manner, adjust the overall financing strategy and the execution plan in phases in due course. Conduct an in-depth research on diversification of the shareholder base and equity financing, make comparison and selection in various domestic and overseas financing platform, financing tools and products for implementation when appropriate, combined with the needs of capital and management of the Company. Pay close attention to financial, accounting and tax and other financial and economic policy changes, timely analysis and formulate effective measures. The Group will continue to strengthen the management of financial resources in order to enhance the efficiency of fund use and prevent financial risks.

### (IV) Capital Expenditure Plan

As at 31 December 2014, the Group's capital expenditure plan mainly comprised the construction settlements of projects such as Qinglian Project, reconstruction and expansion of Meiguan Expressway and Nanguang Expressway, investment in mechanical and electrical equipments of the highways managed as well as the planned investments on associates. By the end of 2017, the Group's total capital expenditure will be expected to be approximately RMB2.909 billion, of which the planned capital expenditure for the year 2015 was approximately RMB1.618 billion. The Group plans to satisfy such capital needs with its own capital and borrowings. According to the Directors' assessment, the Group's financial resources and financing capability currently are sufficient for satisfying the needs of various capital expenditures.

The capital expenditure plan of the Group from 2015 to 2017

Unit: RMB'000

Project	2015	2016	2017	Total
1. Investment of intangible assets and fixed assets				
Reconstruction and expansion of Meiguan Expressway	69,640	-	27,462	97,102
Qinglian Project	80,940	1,850	1,240	84,030
Nanguang Expressway	80,320	200	738	81,258
Other Projects (Investment in mechanical and electrical equipments, etc.)	225,530	-	-	225,530
2. Capital injection to associates				
United Land Company <sup>Note</sup>	1,161,300	1,259,300	-	2,420,600
<b>Total</b>	<b>1,617,730</b>	<b>1,261,350</b>	<b>29,440</b>	<b>2,908,520</b>

Note: The investment plan on United Land Company is made on the assumption that there is no transfer of shareholding in such company in future and the current specific arrangement in respect to the current land acquisition and relocation of the Meilin Checkpoint Urban Renewal Project. In the event that there is any change in the abovementioned assumption and work plan, the relevant capital expenditure will be adjusted accordingly.

## (V) Risk Management

Through active identification, assessment and response to risk issues occurred in the operation process, the Company applied risk management to all segments of the Company, including corporate strategies, planning, decision-making and operations. Currently, the Company focused on internal and external risk issues such as policy, market, business expansion, investment and financing as well as operation management.

### 1. Policy Risk

#### *Risk position / analysis:*

The national inter-network toll collection, a national standard of vehicles classification and a toll-by-weight for lorry within the province are being deployed and promoted in Guangdong Province. Also, it is expected to have an impact on the toll revenue of the Group and increase the investment in equipment-related and subsequent cost of maintenance and management. The Shenzhen government implemented, in phases, restrictive policies on automobile purchase, restriction on the use of non-local small passenger vehicles during certain time-slots and substantial increase in road parking charge to restrain the rapid growth of car ownership and reduce the rate of vehicle use. To some extent, negative impact on the current traffic volume and future traffic growth of regional road networks is expected accordingly. In addition, according to the related regulations on road and traffic safety management of Shenzhen, there is a need to improve facilities such as lighting and supervision system of the relevant highways of the Group. The above policies will increase the investment and operational costs of the Company and exert greater pressure on management and coordination.

In the event that the “Replacing the business tax with value-added tax scheme” (“VAT Scheme”) is generally fully put into effect by the Government, the income, cost, profit and cash flow of the Company will be affected. At the same time, the Company is required to formulate the business and financial management procedures and adjust accounting and audit treatment as well as tax system so as to be aligned with such policy. It also establishes a higher requirement on supplier management, contract design and management. Currently, the specific plan and implementation schedule is not determined yet.



*Management / response measures:*

Inter-network toll collection is beneficial to enhancing the traffic capacity and service standard of toll highway network, and to the long term development of the industry. The Group would constantly follow up the implementation progress of inter-network, toll-by-weight system and particular requirements of the road safety regulation. The Group also optimises technical projects and implements projects after satisfying regulatory requirements, makes reasonable saving of the investment cost, conducts analysis and evaluation of the traffic volume, launch targeted marketing and promotional measures for the projects, and minimise negative impact of policies on revenue.

The Group would actively follow up and study the formulation and implementation progress of VAT Scheme, conduct reallocation and training of staff, streamline business flow, arrange contract files in order and analyse financial impact in advance. The Group would also organise studies and proposal of tax timely, actively communicate with related government departments, strive for understanding and improvement, and reduce and minimise the adverse impact.

## **2. Market Risks**

*Risk position / analysis:*

With further expansion and improvement of the highway network, parallel roads or substitutive routes would increase, which brings negative impact on the growth of toll revenue of the Group. For the possible diversion impact to the Group at current stage, please refer to the above analysis heading “Industry competition landscape and development trend”. For Qinglian Expressway, if the negative impact from the change in road network is worse than expected and cannot be eliminated in short term, the valuation of the project may be affected.

*Management / response measures:*

Based on the actual condition of the regional road network, the Group would reasonably formulate annual operation plan and continuously follow up the change in road network and its trend. By fully utilising the informatisation platform, and mastering the characteristics of the change in traffic volume and particular impact factors, the Group would adopt targeted marketing and guidance measure in advance, promote improvement of highway network to be beneficial to the Group’s projects and reduce negative impact. Meanwhile, through provision of good traffic service and enhancement of traffic efficiency, the Group continues to increase the competitiveness of the projects.

## **3. Business Expansion Risks**

*Risk position / analysis:*

The Group carried out Guilong Project through Guishen Company as a platform, and participated in the regional road construction and development by BT Mode. In order to reduce the risk of funds recovery and generate the expected revenue, Guishen Company participated in the bid for the related land, and, taking advantage of this opportunity, conducted further development of part of the land. As there were differences between the new business model and that of the toll highway business, if the Group’s capability on capturing the market opportunities, business experience, management model and human resources fail to bridge the difference, or there is significant change in future government policies related to budget management and management in land and real estate industry, the project revenue, capital safety, business expansion achievement and the overall performance of the Group may be affected.

It's agreed that the land transfer agreement shall be entered and the first installment of land premium shall be paid for Meilin Checkpoint Urban Renewal Project by 30 June 2015. If the preparatory work such as project planning could not be completed on schedule or the funds could not be raised in time, the Company would fail to fulfill the obligation and face the risks of raise in land premium as well as acquisition and demolition costs, which directly affect the development cost and realisation of the commercial value of the project. In addition, there exists uncertainty in subsequent realisation of land value as the industry policy and fluctuations in land market price exist great, which may increase the investment and financial risks of the Company.

*Management / response measures:*

The Group had conduct in-depth study and research on the related risk of Guilong Project, and adopt various risk control measures through our Investment Company and Guishen Company. The Group would continue to strictly execute every management measures and closely follow up the implementation of fund recovery plan and the procedure of payment to ensure timely recovery and repayment of the fund. Meanwhile, the Group would closely follow up the change in national and local governmental policies and regulations on land, and maintain communication and cooperation with the local government. The Group would seriously study the change in related industry policy and the market condition, actively explore the channel and methods to realise the land value, make reasonable arrangement on the scale and pace of development, and timely adjust investment strategy or product development direction. For the Guilong Development Project, the Group strives to control development cost and utilise the competitive advantages of the project for sales and marketing activities and strengthen the sales management. Moreover, after enhancement of the training for team capability, the Group would engage professionals and organisations to advise management and responsible for special purpose, and integrate the high quality resources in the industry to achieve intended effect.

The Group will actively promote the preparatory work such as planning, approval for Meilin Checkpoint Urban Renewal Project, strive for the support from all aspects making full use of the resources of public relations and government. Meanwhile, the Group will keep smooth financing channel, make overall arrangements for the financial resources of the Group, and strengthen the capital planning and budget management. The Group has commenced exploring the channels and methods to realise the value of the land, and will strengthen the research and follow up on the market and policy, enhance preliminary market research, conduct thorough comparison and reference, grasp the trend of changes in the target market, to ensure the accurate positioning of the project.

#### **4. Investment and Financing Risk**

*Risk position / analysis:*

The Company has a pre-emptive right for the development of Outer Ring Expressway. However the project requires large scale of investment and a long return period, of which the return may not meet the Company's expectation and may affect the result and the financial position of the Company in the short term.

*Management/response measures:*

The Company would closely monitor the change in operation environment, fully utilise the innovation capability of the business model and seek for win-win solutions. By seising the negotiation with the related government department, the Group would clarify the rights and obligation and risk control. Meanwhile, after full valuation and estimation of the project operation rights, the Group would enrich cooperation modes, expand fund sources, make reasonable arrangement of financing and fund plan for the periods of construction and operation, and reduce financial risk. Through good business management to control construction cost and operation cost, the investment risk can be reduced in substance.

## 5. Operation Management Risks

### Risk position / analysis:

The expansion of the inter-network toll collection called for a higher standard on the stability of the toll collection system, accuracy and timeliness of data division and settlement system. Abnormality of the system and management procedure may lead to inaccuracy in data division, and delay in settlement, which may affect the interest and market image of the Company. Moreover, upon the expansion of the toll collection network, the extent and degree of the seriousness of such toll evading incidents as gate crashing and fake cards and free pass as a result of improper management have increased, resulting in a higher possibility of decrease of toll revenue.

If problems occurred in technical scheme, construction management and traffic organisation of road maintenance and preventive maintenance program, the cash payments and subsequent maintenance costs of the Company would increase, and the traffic flow and traffic safety on related highways would also be affected. In addition, the implementation of preventive maintenance program may be adjusted according to the actual conditions and the extent of damage in the highways, with the overall expenditure facing the risk of cost overrun.

### Management/response measures:

The Group handles the problems timely that happen in the toll collection procedure and analyses and summarises reasons, actively coordinates and contacts the related department/unit, system suppliers and other toll highway companies, optimises operation procedure, improves and increases the stability and reliability of the system, and assures efficiency and accuracy of the settlement. Through various measures such as standardising business operation, executing effective audit management, cooperation with police unit and media publicity, the Group prevents and stops toll evading incidents, and fully utilises inter-network database of the province as a whole, realises information sharing, and improves management effectiveness.

The Group will further improve regular assessment and dynamic adjustment mechanism of the highway maintenance planning, and formulate reasonable technical scheme and control costs reasonably oriented by the concept of optimal maintenance cost control during the whole operation period, as well as on the basis of summarising and absorbing the past highway maintenance experience, and in-depth study of damage development trend. Meanwhile, through the improvement of construction management and traffic organisation, the construction cost would be effectively controlled and the impact on traffic safety would be effectively reduced.

## V. Matters Related to Financial Statements

### 5.1 Changes in Accounting Policies and Accounting Estimates During the Reporting Period

#### Changes in Accounting Policies

In early 2014, Ministry of Finance newly issued/revised seven specific accounting standards, including “Accounting Standards for Business Enterprises” No. 2, 9, 30, 33, 39, 40 and 41, and released the application guidance of the above seven accounting standards in third quarter of 2014. The Company, as an A share and H share listed company, has early adopted No. 9, 30, 33, 39 and 40 of the above accounting standards in preparing the financial statements of 2013, No. 2 and 41 of the above accounting standards in preparing the financial statements of the first quarter of 2014, and further adopted specific provisions of the application guidance in preparing the financial statements of the third quarter of 2014

and made relevant changes on accounting policies accordingly. For details, please refer to the relevant content of annual report of 2013 and the first quarterly report and third quarterly report of 2014 of the Company.

In June 2014, Ministry of Finance revised “Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments” that requires all enterprises who implement Accounting Standards for Business Enterprises shall do the same in or after the year of 2014. The Company adopted such accounting standard in preparing the financial statements of 2014 and made relevant changes on accounting policies accordingly. The change on the accounting policies have no impact on the financial statements of 2014 of the Group.

Adoption of the above eight standards and their application guidance by the Group mainly involved reclassifications of “long-term equity investments” and “available-for-sale financial assets” in balance sheets, separate presentation of “deferred income” and “other comprehensive income” and further classification of “other comprehensive income” in income statements. Moreover, retrospective adjustments were applied to the relevant items of the comparative statements. The adjustments above basically have no impact on the Group’s financial position and operating results.

The details of the above changes on accounting policies were set out in note III\27(1) to the Financial Statements in this annual report. The above changes on accounting policies were already respectively considered and approved in the sixteenth, seventeenth and twenty-second meeting of the sixth session of the board of directors and second meeting of the seventh session of the board of directors.

#### Changes in Accounting Estimates

(1) Changes in accounting estimates for the amortisation amount per intangible asset unit of highway

In compliance with the requirements of the accounting principles and relevant accounting policies of the Company and based on the results of the review on the traffic flow and a revised study on the future traffic flow of the major toll highways of the Company and its subsidiaries, the Company has made adjustments to the amortisation of concession intangible assets per unit of Jihe East, Jihe West and Meiguan Expressway since 1 October 2014. These adjustments represented the changes in accounting estimates on a prospective basis. This change in accounting estimates created an impact on the allocation of amortisation of concession intangible assets of the Group in the future but did not create a significant impact on the overall financial position and operating result of the Group. The change in accounting estimates resulted in an increase of RMB19,947,000 of net profit of 2014, an increase of RMB26,595,000 of total assets as at 31 December 2014 and an increase of RMB19,947,000 of the equity attributable to owners of the Company as at 31 December 2014.

(2) Changes in accounting estimates on deferred tax assets of Qinglian Company for loss deduction

Based on the change of latest operation and prudent forecast of Qinglian Company, a subsidiary of the Company, it is estimated that it may not generate enough taxable incomes in the foreseeable future that the deductible losses will be compensated, for deduction of provision of the operating loss of deferred tax assets in prior years. According to the relevant requirements of the accounting standards, in order to reasonably reflect the deferred tax assets for loss deduction at the end of the period, the Group reduced the carrying amount of deferred tax assets of Qinglian Company by RMB29,679,000 in 2014. These adjustments represented the changes in accounting estimates on a prospective basis. The change in accounting estimates resulted in a decrease of RMB22,666,000 of net profit of 2014, an increase of RMB29,679,000 of total liabilities as at 31 December 2014 and a

decrease of RMB22,666,000 of the equity attributable to owners of the Company as at 31 December 2014. Such change in accounting estimates did not create a significant impact on the financial position and operating result of the Group.

The details of the above changes on accounting estimates were set out in note III\27(2) to the Financial Statements in this annual report. The above changes on accounting estimates were considered and approved in the second meeting of the seventh session of the board of directors.

## **5.2 Accounting Errors Occurred during the Reporting Period**

There is no correction of accounting errors by the Company occurred during the Reporting Period.

## **5.3 Changes in the Scope of Consolidated Financial Statements during the Reporting Period**

In 2014, the Company established a wholly-owned subsidiary, Luyun Company, and Investment Company, a subsidiary of the Company, established a wholly-owned subsidiary, Shenzhen Expressway Property Management Company Limited. The abovementioned newly-established companies were included into the scope of the Group's consolidated financial statements during the Reporting Period. For details, please refer to note VI\1 to the Financial Statement.

## **5.4 The Consolidated Financial Statements and Notes for the Year 2014 of the Company are Set out in the Appendix to this Results Preliminary Announcement.**

## **5.5 Results Review**

The audit committee of the Company has reviewed and confirmed the financial statements and the annual report of the Company for the year 2014.

## **5.6 Auditors' Procedures Performed on This Results Preliminary Announcement**

The figures in the 2014 Annual Results Preliminary Announcement have been agreed by the Company's auditors, PricewaterhouseCoopers Zhong Tian LLP ("PwC Zhong Tian"), to the amounts set out in the Company's audited consolidated financial statements for the year 2014. The work performed by PwC Zhong Tian in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC Zhong Tian on this results preliminary announcement.

## **VI. Other Matters**

### **6.1 Purchase, Sale or Redemption of Securities**

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

### **6.2 Compliance with the Corporate Governance Code**

During the Reporting Period, the Company has fully adopted all the code provisions of the "Corporate Governance Code" as set out in Appendix 14 of the Listing Rules and there is no material deviation or breach of the code provisions occurred.

### 6.3 Compliance with the Model Code

The “Securities Transaction Code” of the Company has been adopted by the Board in accordance with Appendix 10 to the Listing Rules, as written guidelines to regulate dealings in the Company’s securities by the Directors, Supervisors and relevant staff. The “Securities Transaction Code” of the Company has incorporated the standards as set out in Appendix 10 to the Listing Rules, and gone beyond such standards to certain extents. After making specific enquiry to all the Directors, Supervisors and senior management, the Company confirms that all the Directors, Supervisors and senior management had complied with the standards for securities transactions as stipulated under the aforesaid code during the Reporting Period.

### VII. Definitions

<i>Meiguan Company</i>	Shenzhen Meiguan Expressway Company Limited
<i>Jihe East Company</i>	Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited
<i>Qinglian Company</i>	Guangdong Qinglian Highway Development Company Limited
<i>Magerk Company</i>	Hubei Magerk Expressway Management Private Limited
<i>Outer Ring Company</i>	Shenzhen Outer Ring Expressway Investment Company Limited
<i>Luyun Company</i>	Shenzhen Expressway Luyun Construction Management Company Limited
<i>Mei Wah Company</i>	Mei Wah Industrial (Hong Kong) Limited
<i>JEL Company</i>	Jade Emperor Limited
<i>Qinglong Company</i>	Shenzhen Qinglong Expressway Company Limited
<i>Investment Company</i>	Shenzhen Expressway Investment Company Limited
<i>Guishen Company</i>	Guizhou Guishen Investment Development Company Limited
<i>Yuelong Company</i>	Guizhou Yuelong Investment Company Limited
<i>Property Company</i>	Guizhou Shenzhen Expressway Property Company Limited
<i>Property Management Company</i>	Shenzhen Expressway Property Management Company Limited
<i>Advertising Company</i>	Shenzhen Expressway Advertising Company Limited
<i>United Land Company</i>	Shenzhen International United Land Co., Ltd.
<i>Coastal Company</i>	Shenzhen Guangshen Coastal Expressway Investment Company Limited
<i>Consulting Company</i>	Shenzhen Expressway Engineering Consulting Company Limited
<i>Guangdong UETC</i>	Guangdong United Electronic Toll Collection Inc.

<b>BT (mode)</b>	Build-Transfer mode, refer to a kind of financing mode for non operating infrastructure construction projects by government using non-governmental funds, is also used to describe the process of project operation that the project be handed over to the owners upon general contracting, financing, construction acceptance by project company, and the owners pay the project total investment plus a reasonable return to investors.
<b>PPP (mode)</b>	Public-Private-Partnership mode, refer to a partnership on the basis of concession agreement for the construction of urban infrastructure projects or the provision of public goods and services between the government and private organizations. PPP mode ultimately makes both parties of the cooperation get more favorable results than those who act alone expected, by signing the contract to define the rights and obligations of both parties, to ensure the smooth completion of cooperation.
<b>Company</b>	Shenzhen Expressway Company Limited
<b>Group</b>	The Company and its consolidated subsidiaries
<b>Year, Reporting Period, Period</b>	The year ended 31 December 2014
<b>Reporting Date</b>	The date on which Annual Report 2014 of the Company is approved by the Board, i.e. 20 March 2015
<b>SSE</b>	The Shanghai Stock Exchange
<b>HKEx</b>	The Stock Exchange of Hong Kong Limited
<b>Listing Rules</b>	The Rules Governing the Listing of Securities on HKEx
<b>CASBE</b>	The Accounting Standards for Business Enterprises (2006) of the PRC and the specific accounting standards as well as relevant provisions issued later

**Note:** For definitions of the relevant highways/projects of the Company, please refer to Company's website at <http://www.sz-expressway.com> under the section of "Company Business".

By Order of the Board  
**Hu Wei**  
Chairman

Shenzhen, PRC, 20 March 2015

*As at the date of this announcement, the directors of the Company are Mr. HU Wei (Executive Director and 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. TSE Yat Hong (Non-executive Director), Mr. WANG Zeng Jin (Non-executive Director), Ms. ZHANG Yang (Non-executive Director), Mr. CHIU Chi Cheong, Clifton (Non-executive Director), Mr. AU Sing Kun (Independent non-executive Director), Mr. LIN Chu Chang (Independent non-executive Director), Mr. HU Chun Yuan (Independent non-executive Director) and Mr. SHI Xian Liang (Independent non-executive Director).*

*This results preliminary announcement, which has been published on the website of HKEx at <http://www.hkexnews.com.hk>, only gives a summary of the information and particulars contained in the full "Annual Report 2014" of the Company. The "Annual Report 2014" of the Company containing all the information to accompany annual report required under Appendix 16 to the Listing Rules will be subsequently published on the website of HKEx in due course.*

Appendix:

**SHENZHEN EXPRESSWAY COMPANY LIMITED**

**Consolidated Financial Statements (including notes)**

**For the Year ended 31 December 2014**



**Shenzhen Expressway Company Limited**  
**Financial Statements**  
**For the year ended 31 December 2014**

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# Shenzhen Expressway Company Limited

## Consolidated Balance Sheet

As at 31 December 2014

(All amounts in RMB unless otherwise stated)

Item	Note	31 December 2014	31 December 2013 (Restated)	1 January 2013 (Restated)
<b>Current assets</b>				
Cash at bank and on hand	V.1	1,634,298,872.34	1,094,796,690.93	1,956,056,006.44
Accounts receivable	V.2	721,306,986.74	495,330,807.64	385,812,938.72
Advances to suppliers	V.3	236,721,569.18	134,809,901.75	320,335,136.60
Interest receivable		489,718.03	-	2,236,957.19
Dividends receivable		-	68,146.67	-
Other receivables	V.4	98,912,102.78	165,948,978.57	37,496,747.37
Inventories	V.5	534,747,975.10	345,018,118.72	2,980,022.26
Current portion of non-current assets	V.6	800,000,000.00	-	-
Other current assets		34,204.14	1,755,109.55	-
<b>Total current assets</b>		<b>4,026,511,428.31</b>	<b>2,237,727,753.83</b>	<b>2,704,917,808.58</b>
<b>Non-current assets</b>				
Long-term prepayments		3,814,521.00	4,814,364.00	-
Available-for-sale financial assets	V.7	30,170,000.00	30,170,000.00	30,170,000.00
Long-term receivable	V.8	1,291,779,890.93	-	-
Long-term equity investments	V.9	1,695,490,572.34	1,574,214,371.24	1,623,573,186.99
Investment properties	V.10	14,677,825.00	15,253,525.00	15,829,225.00
Fixed assets	V.11	1,031,397,945.38	1,112,824,141.67	1,098,074,917.42
Construction in progress	V.12	26,931,901.19	36,340,507.58	16,357,384.44
Intangible assets	V.13	16,154,661,734.98	17,756,263,229.13	18,636,247,042.26
Long-term prepaid expenses		2,384,813.62	4,650,620.40	4,717,014.07
Deferred tax assets	V.14	51,503,576.27	67,848,967.06	79,238,463.43
<b>Total non-current assets</b>		<b>20,302,812,780.71</b>	<b>20,602,379,726.08</b>	<b>21,504,207,233.61</b>
<b>Total assets</b>		<b>24,329,324,209.02</b>	<b>22,840,107,479.91</b>	<b>24,209,125,042.19</b>
<b>Current liabilities</b>				
Short-term borrowings	V.15	23,667,000.00	450,400,000.00	1,000,000.00
Accounts payable	V.16	164,270,951.61	375,719,993.22	661,807,999.88
Advances from customers	V.17	18,321,684.85	18,889,050.32	19,343,485.00
Employee benefits payable	V.18	107,549,071.63	104,360,502.53	82,952,114.94
Taxes payable	V.19	529,265,388.87	73,910,675.99	66,885,479.35
Interest payable	V.20	102,381,629.53	70,058,287.20	102,406,437.69
Dividends payable	V.21	28,625,546.59	-	-
Other payables	V.22	935,704,622.38	518,799,906.45	416,155,154.40
Current portion of non-current liabilities	V.23	1,022,387,329.23	620,326,885.32	2,538,991,115.62
Deferred revenue	V.27	2,794,486.25	1,923,817.30	-
<b>Total current liabilities</b>		<b>2,934,967,710.94</b>	<b>2,234,389,118.33</b>	<b>3,889,541,786.88</b>
<b>Non-current liabilities</b>				
Long-term borrowings	V.24	3,898,864,000.00	5,257,014,000.00	5,217,739,400.00
Bonds payable	V.25	3,290,387,574.51	3,088,801,980.40	3,081,681,079.84
Provisions	V.26	88,745,908.12	206,979,215.61	195,892,410.37
Deferred revenue	V.27	162,850,000.00	-	-
Deferred tax liabilities	V.14	773,462,469.63	813,937,505.37	935,283,505.52
Other non-current liabilities	V.28	59,873,950.68	-	-
Derivative financial liabilities		-	-	16,070,892.42
<b>Total non-current liabilities</b>		<b>8,274,183,902.94</b>	<b>9,366,732,701.38</b>	<b>9,446,667,288.15</b>
<b>Total liabilities</b>		<b>11,209,151,613.88</b>	<b>11,601,121,819.71</b>	<b>13,336,209,075.03</b>
<b>Owners' equity</b>				
Share capital	V.29	2,180,770,326.00	2,180,770,326.00	2,180,770,326.00
Capital surplus	V.30	2,274,351,523.42	2,274,351,523.42	2,274,351,523.42
Other comprehensive income	V.31	893,604,159.01	908,402,840.07	906,659,977.96
Surplus reserve	V.32	1,884,591,029.74	1,681,423,475.54	1,604,265,015.87
Undistributed profits	V.33	4,564,264,823.15	2,929,472,264.02	2,570,439,249.07
<b>Total equity attributable to owners of the Company</b>		<b>11,797,581,861.32</b>	<b>9,974,420,429.05</b>	<b>9,536,486,092.32</b>
Minority interests	VII.1(2)	1,322,590,733.82	1,264,565,231.15	1,336,429,874.84
<b>Total owners' equity</b>		<b>13,120,172,595.14</b>	<b>11,238,985,660.20</b>	<b>10,872,915,967.16</b>
<b>Total liabilities and owners' equity</b>		<b>24,329,324,209.02</b>	<b>22,840,107,479.91</b>	<b>24,209,125,042.19</b>

The attached notes are an integral part of these financial statements

Legal representative: Hu Wei

Chief Financial Officer: Gong Taotao

Head of accounting department: Sun Bin

# Shenzhen Expressway Company Limited

## Balance Sheet

As at 31 December 2014

(All amounts in RMB unless otherwise stated)

Item	Note	31 December 2014	31 December 2013 (Restated)	1 January 2013 (Restated)
<b>Current assets</b>				
Cash at bank and on hand		751,278,240.85	420,707,294.65	1,168,598,474.41
Accounts receivable	XIV.1	530,410,157.03	338,977,218.48	340,856,332.71
Advances to suppliers		2,084,326.00	5,524,838.14	4,090,690.03
Interest receivable		383,184.71	-	2,236,957.19
Dividends receivable		692,000,000.00	68,146.67	-
Other receivables	XIV.2	736,893,668.46	655,248,023.99	818,899,488.99
Inventories		3,175,552.09	1,425,434.87	1,634,514.63
<b>Current assets</b>		<b>2,716,225,129.14</b>	<b>1,421,950,956.80</b>	<b>2,336,316,457.96</b>
<b>Non-current assets</b>				
Long-term prepayments		1,664,880.00	3,016,095.00	-
Available-for-sale financial assets		30,170,000.00	30,170,000.00	30,170,000.00
Long-term receivable	XIV.3	1,250,000,000.00	1,210,000,000.00	818,333,335.01
Long-term equity investments	XIV.4	6,626,784,885.87	6,456,731,917.37	6,596,068,971.59
Investment properties		14,677,825.00	15,253,525.00	15,829,225.00
Fixed assets	XIV.5	547,373,562.80	557,392,774.26	590,628,811.45
Construction in progress	XIV.6	12,161,401.55	22,671,420.10	2,837,057.32
Intangible assets	XIV.7	4,529,457,659.04	4,739,650,469.50	4,982,655,389.41
Long-term prepaid expenses		843,318.50	1,219,704.41	2,134,482.53
Deferred tax assets		50,164,928.19	66,337,054.28	77,553,285.95
<b>Total non-current assets</b>		<b>13,063,298,460.95</b>	<b>13,102,442,959.92</b>	<b>13,116,210,558.26</b>
<b>Total assets</b>		<b>15,779,523,590.09</b>	<b>14,524,393,916.72</b>	<b>15,452,527,016.22</b>
<b>Current liabilities</b>				
Short-term borrowings	XIV.9	100,000,000.00	350,400,000.00	-
Accounts payable	XIV.8	29,353,391.40	48,248,517.62	86,207,026.06
Advances from customers		1,583,333.37	1,583,333.02	750,000.00
Employee benefits payable		56,568,532.10	64,618,304.14	56,868,475.27
Taxes payable		58,802,114.76	12,129,818.10	30,057,866.34
Interest payable		96,737,767.55	62,922,086.97	94,227,811.89
Other payable		513,786,044.91	285,996,101.87	263,316,621.65
Current portion of non-current liabilities	XIV.9	940,227,329.23	428,967,101.05	2,372,232,167.49
<b>Total current liabilities</b>		<b>1,797,058,513.32</b>	<b>1,254,865,262.77</b>	<b>2,903,659,968.70</b>
<b>Non-current liabilities</b>				
Long-term borrowings	XIV.9	-	1,052,500,000.00	837,462,400.00
Bonds payable	XIV.9	3,295,454,406.48	3,094,536,966.01	3,088,084,219.09
Provisions	XIV.10	88,745,908.12	206,979,215.61	195,892,410.37
<b>Total non-current liabilities</b>		<b>3,384,200,314.60</b>	<b>4,354,016,181.62</b>	<b>4,121,439,029.46</b>
<b>Total liabilities</b>		<b>5,181,258,827.92</b>	<b>5,608,881,444.39</b>	<b>7,025,098,998.16</b>
<b>Owners' equity</b>				
Share capital		2,180,770,326.00	2,180,770,326.00	2,180,770,326.00
Capital surplus		2,315,587,934.74	2,315,587,934.74	2,315,587,934.74
Surplus reserve		1,884,591,029.74	1,681,423,475.54	1,604,265,015.87
Undistributed profits		4,217,315,471.69	2,737,730,736.05	2,326,804,741.45
<b>Total owners' equity</b>		<b>10,598,264,762.17</b>	<b>8,915,512,472.33</b>	<b>8,427,428,018.06</b>
<b>Total liabilities and owners' equity</b>		<b>15,779,523,590.09</b>	<b>14,524,393,916.72</b>	<b>15,452,527,016.22</b>

The attached notes are an integral part of these financial statements

Legal representative: Hu Wei

Chief Financial Officer: Gong Taotao

Head of accounting department: Sun Bin

**Shenzhen Expressway Company Limited**

**Consolidated Income Statement**  
**For the year ended 31 December 2014**

(All amounts in RMB unless otherwise stated)

Item	Note	2014	2013
1. Total revenue		3,620,357,480.08	3,279,281,057.26
Including: revenue from services	V.34	3,620,357,480.08	3,279,281,057.26
2. Total costs		2,348,829,257.53	2,312,148,815.81
Including: Cost of services	V.34	1,705,255,936.85	1,526,197,293.57
Business tax and surcharges	V.35	131,023,341.41	115,958,588.67
Selling expenses		4,778,132.27	183,800.00
General and administrative expenses	V.36	88,493,966.36	87,531,411.14
Finance expenses	V.37	419,277,880.64	582,277,722.43
Add: Investment income	V.38	187,042,277.71	185,676,580.93
Including: Share of profit of associates and joint ventures		187,042,277.71	185,676,580.93
3. Operating profit		1,458,570,500.26	1,152,808,822.38
Add: Non-operating income	V.39	1,510,538,187.04	5,775,141.66
Including: Gains on disposal of non-current assets		1,497,451,546.14	3,111,920.32
Less: Non-operating expenses	V.40	2,190,673.04	244,410,693.27
Including: Losses on disposal of non-current assets		448,542.09	242,851,139.89
4. Total profit		2,966,918,014.26	914,173,270.77
Less: Income tax expenses	V.41	695,448,484.89	163,410,632.99
5. Net profit		2,271,469,529.37	750,762,637.78
Net profit attributable to owners of the Company		2,186,883,365.49	719,691,617.00
Minority interests	VII.1(2)	84,586,163.88	31,071,020.78
6. Other comprehensive income after tax		-14,798,681.06	1,742,862.11
Other comprehensive income after tax attributable to owners of the Company		-14,798,681.06	1,742,862.11
(1) Item that may not be reclassified subsequently to profit and loss		-	-
(2) Item that may be reclassified subsequently to profit and loss:		-14,798,681.06	1,742,862.11
The effective profit/loss parts of cash flow hedges		-14,798,681.06	1,742,862.11
7. Total comprehensive income		2,256,670,848.31	752,505,499.89
Total comprehensive income attributable to owners of the company		2,172,084,684.43	721,434,479.11
Total comprehensive income attributable to minority interest		84,586,163.88	31,071,020.78
8. Earnings per share			
Basic earnings per share (RMB/share)	V.46	1.003	0.330
Diluted earnings per share (RMB/share)	V.46	1.003	0.330

The attached notes are an integral part of these financial statements

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

**Shenzhen Expressway Company Limited****Income Statement****For the year ended 31 December 2014**

(All amounts in RMB unless otherwise stated)

Item	Note	2014	2013
1. Revenue from services	XIV.11	1,462,654,232.79	1,183,683,246.78
Less: Cost of services	XIV.11	610,192,530.02	458,096,322.44
Business tax and surcharges		55,802,842.56	43,319,264.02
General and administrative expenses		70,039,957.92	77,191,480.47
Finance expenses	XIV.12	196,230,662.56	228,239,365.83
Add: Investment income	XIV.13	1,623,802,349.30	486,984,134.50
Including: Share of profit of associates and joint ventures		187,042,277.71	185,676,580.93
2. Operating profit		2,154,190,589.03	863,820,948.52
Add: Non-operating income		10,759,318.11	1,074,083.08
Including: Gains on disposal of non-current assets		1,428,666.32	-
Less: Non-operating expenses		1,338,847.96	873,383.69
Including: Losses on disposal of non-current assets		100,349.44	77,599.69
3. Total profit		2,163,611,059.18	864,021,647.91
Less: Income tax expenses	XIV.14	131,935,517.18	92,437,051.26
4. Net profit		2,031,675,542.00	771,584,596.65
5. Other comprehensive income		-	-
6. Total comprehensive income		2,031,675,542.00	771,584,596.65

The attached notes are an integral part of these financial statements

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

**Shenzhen Expressway Company Limited**

**Consolidated Cash Flow Statement**

**For the year ended 31 December 2014**

(All amounts in RMB unless otherwise stated)

Item	Note	2014	2013
<b>1. Cash flows from operating activities</b>			
Cash received from rendering services		3,265,796,281.42	3,169,272,156.49
Cash received relating to other operating activities	V.42(1)	244,269,942.55	252,180,721.39
<b>Sub-total of cash inflows</b>		<b>3,510,066,223.97</b>	<b>3,421,452,877.88</b>
Cash paid for goods and services		471,920,370.87	492,275,280.46
Cash paid to and on behalf of employees		300,009,084.70	280,742,859.97
Payments of taxes and surcharges		408,908,252.61	397,009,563.09
Cash paid relating to other operating activities	V.42(2)	535,473,233.50	490,200,388.08
<b>Sub-total of cash outflows</b>		<b>1,716,310,941.68</b>	<b>1,660,228,091.60</b>
<b>Net cash flows from operating activities</b>	V.43(1)	<b>1,793,755,282.29</b>	<b>1,761,224,786.28</b>
<b>2. Cash flows from investing activities</b>			
Cash received from disposal of investments		12,763,473.60	25,839,395.60
Cash received from returns on investments		82,470,749.68	66,779,549.37
Net cash received from disposal of fixed assets, intangible assets and other non-current assets		726,468,602.05	7,305,482.84
Cash received relating to other investing activities	V.42(3)	17,867,369.27	27,016,905.14
<b>Sub-total of cash inflows</b>		<b>839,570,194.60</b>	<b>126,941,332.95</b>
Cash paid to acquire fixed assets, intangible assets and other non-current assets		312,902,589.45	610,569,380.06
Net cash paid to acquire subsidiaries and other business units		29,400,000.00	16,250,000.00
Cash paid relating to other investing activities		2,400,000.00	5,176,756.94
<b>Sub-total of cash outflows</b>		<b>344,702,589.45</b>	<b>631,996,137.00</b>
<b>Net cash flows from investing activities</b>		<b>494,867,605.15</b>	<b>-505,054,804.05</b>
<b>3. Cash flows from financing activities</b>			
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		55,141,000.00	1,506,650,000.00
Cash received from issuance of bonds		994,250,000.00	-
<b>Sub-total of cash inflows</b>		<b>1,109,656,952.56</b>	<b>1,506,650,000.00</b>
Cash repayments of borrowings		2,307,675,160.00	2,681,497,280.00
Cash payments for interest expenses and distribution of dividends or profits		891,608,608.38	943,853,700.95
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		58,201,067.18	102,935,664.47
Cash payments relating to other financing activities	V.42(4)	33,380,179.79	2,686,408.95
<b>Sub-total of cash outflows</b>		<b>3,232,663,948.17</b>	<b>3,628,037,389.90</b>
<b>Net cash flows from financing activities</b>		<b>-2,123,006,995.61</b>	<b>-2,121,387,389.90</b>
<b>4. Effect of foreign exchange rate changes on cash</b>		<b>-97,657.56</b>	<b>649,944.21</b>
<b>5. Net increase/(decrease) in cash</b>		<b>165,518,234.27</b>	<b>-864,567,463.46</b>
Add: Cash at beginning of year		1,089,636,663.10	1,954,204,126.56
<b>6. Cash at end of year</b>	V.43(2)	<b>1,255,154,897.37</b>	<b>1,089,636,663.10</b>

The attached notes are an integral part of these financial statements

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

**Shenzhen Expressway Company Limited**

**Cash Flow Statement**

**For the year ended 31 December 2014**

(All amounts in RMB unless otherwise stated)

Item	2014	2013
<b>1. Cash flows from operating activities</b>		
Cash received from rendering services	1,271,027,613.35	1,183,582,711.64
Cash received relating to other operating activities	81,844,185.22	9,143,050.45
<b>Sub-total of cash inflows</b>	<b>1,352,871,798.57</b>	<b>1,192,725,762.09</b>
Cash paid for goods and services	182,444,127.32	170,483,981.15
Cash paid to and on behalf of employees	155,633,785.03	140,634,765.68
Payments of taxes and surcharges	128,010,905.82	145,144,021.65
Cash paid relating to other operating activities	68,123,099.77	154,729,619.21
<b>Sub-total of cash outflows</b>	<b>534,211,917.94</b>	<b>610,992,387.69</b>
<b>Net cash flows from operating activities</b>	<b>818,659,880.63</b>	<b>581,733,374.40</b>
<b>2. Cash flows from investing activities</b>		
Cash received from disposal of investments	98,629,088.14	115,817,634.09
Cash received from returns on investments	923,602,488.52	368,087,102.95
Net cash received from disposal of fixed assets, intangible assets and other non-current assets	1,510,630.00	-
Cash received relating to other investing activities	779,884,727.88	849,155,446.29
<b>Sub-total of cash inflows</b>	<b>1,803,626,934.54</b>	<b>1,333,060,183.33</b>
Cash paid to acquire fixed assets, intangible assets and other non-current assets	82,248,411.56	39,763,401.08
Net cash paid to acquire subsidiaries and other business units	260,414,049.21	16,250,000.00
Cash paid relating to other investing activities	856,000,000.00	892,830,793.27
<b>Sub-total of cash outflows</b>	<b>1,198,662,460.77</b>	<b>948,844,194.35</b>
<b>Net cash flows from investing activities</b>	<b>604,964,473.77</b>	<b>384,215,988.98</b>
<b>3. Cash flows from financing activities</b>		
Cash received from borrowings	100,100,000.00	1,170,000,000.00
Cash received from issuance of bonds	994,250,000.00	-
<b>Sub-total of cash inflows</b>	<b>1,094,350,000.00</b>	<b>1,170,000,000.00</b>
Cash repayments of borrowings	1,740,891,800.00	2,337,709,700.00
Cash payments for interest expenses and distribution of dividends or profits	584,923,407.09	546,861,344.85
Cash payments relating to other financing activities	1,960,118.45	2,573,812.97
<b>Sub-total of cash outflows</b>	<b>2,327,775,325.54</b>	<b>2,887,144,857.82</b>
<b>Net cash flows from financing activities</b>	<b>-1,233,425,325.54</b>	<b>-1,717,144,857.82</b>
<b>4. Effect of foreign exchange rate changes on cash</b>	<b>-115,279.02</b>	<b>-3,833.27</b>
<b>5. Net increase/(decrease) in cash</b>	<b>190,083,749.84</b>	<b>-751,199,327.71</b>
Add: Cash at beginning of year	415,547,266.82	1,166,746,594.53
<b>6. Cash at end of year</b>	<b>605,631,016.66</b>	<b>415,547,266.82</b>

The attached notes are an integral part of these financial statements

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

Shenzhen Expressway Company Limited

Consolidated Statement of Changes in Owners' Equity  
For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

Item	2014						
	Attributable to owners of the Company					Minority interests	Total owners' equity
	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profits		
1. Ending balance on 31 December 2013	2,180,770,326.00	3,182,754,363.49	-	1,681,423,475.54	2,929,472,264.02	1,264,565,231.15	11,238,985,660.20
Add: changes in accounting policies	-	-908,402,840.07	908,402,840.07	-	-	-	-
2. Opening balance on 1 January 2014 (restated)	2,180,770,326.00	2,274,351,523.42	908,402,840.07	1,681,423,475.54	2,929,472,264.02	1,264,565,231.15	11,238,985,660.20
3. Movements for the year ended 31 December 2014	-	-	-14,798,681.06	203,167,554.20	1,634,792,559.13	58,025,502.67	1,881,186,934.94
(1) Total comprehensive income	-	-	-14,798,681.06	-	2,186,883,365.49	84,586,163.88	2,256,670,848.31
Net profit	-	-	-	-	2,186,883,365.49	84,586,163.88	2,271,469,529.37
Other comprehensive income	-	-	-14,798,681.06	-	-	-	-14,798,681.06
(2) Capital injection by investors	-	-	-	-	-	60,265,952.56	60,265,952.56
Capital injection by investors	-	-	-	-	-	60,265,952.56	60,265,952.56
(3) Profit distribution	-	-	-	203,167,554.20	-552,090,806.36	-86,826,613.77	-435,749,865.93
Appropriation to surplus reserves	-	-	-	203,167,554.20	-203,167,554.20	-	-
Profit distribution to equity owners	-	-	-	-	-348,923,252.16	-86,826,613.77	-435,749,865.93
4. Ending balance on 31 December 2014	2,180,770,326.00	2,274,351,523.42	893,604,159.01	1,884,591,029.74	4,564,264,823.15	1,322,590,733.82	13,120,172,595.14

Item	2013						
	Attributable to owners of the Company					Minority interests	Total owners' equity
	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profits		
1. Ending balance on 31 December 2012	2,180,770,326.00	3,181,011,501.38	-	1,604,265,015.87	2,570,439,249.07	1,336,429,874.84	10,872,915,967.16
Add: changes in accounting policies	-	-906,659,977.96	906,659,977.96	-	-	-	-
2. Opening balance on 1 January 2013 (restated)	2,180,770,326.00	2,274,351,523.42	906,659,977.96	1,604,265,015.87	2,570,439,249.07	1,336,429,874.84	10,872,915,967.16
3. Movements for the year ended 31 December 2013	-	-	1,742,862.11	77,158,459.67	359,033,014.95	-71,864,643.69	366,069,693.04
(1) Total comprehensive income	-	-	1,742,862.11	-	719,691,617.00	31,071,020.78	752,505,499.89
Net profit	-	-	-	-	719,691,617.00	31,071,020.78	750,762,637.78
Other comprehensive income	-	-	1,742,862.11	-	-	-	1,742,862.11
(2) Profit distribution	-	-	-	77,158,459.67	-360,658,602.05	-102,935,664.47	-386,435,806.85
Appropriation to surplus reserves	-	-	-	77,158,459.67	-77,158,459.67	-	-
Profit distribution to equity owners	-	-	-	-	-283,500,142.38	-102,935,664.47	-386,435,806.85
4. Ending balance on 31 December 2013	2,180,770,326.00	2,274,351,523.42	908,402,840.07	1,681,423,475.54	2,929,472,264.02	1,264,565,231.15	11,238,985,660.20

The attached notes are an integral part of these financial statements

Legal representative: Hu Wei

Chief Financial Officer: Gong Taotao

Head of accounting department: Sun Bin



**Shenzhen Expressway Company Limited**

**Statement of Changes in Owners' Equity  
For the year ended 31 December 2014**

(All amounts in RMB unless otherwise stated)

Item	2014				
	Share capital	Capital surplus	Surplus reserve	Undistributed profits	Total owners' equity
1. Ending balance on 31 December 2013	2,180,770,326.00	2,315,587,934.74	1,681,423,475.54	2,737,730,736.05	8,915,512,472.33
Add: changes in accounting policies	-	-	-	-	-
2. 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
3. Movements for the year ended 31 December 2014	-	-	203,167,554.20	1,479,584,735.64	1,682,752,289.84
(1) Total comprehensive income	-	-	-	2,031,675,542.00	2,031,675,542.00
Net profit	-	-	-	2,031,675,542.00	2,031,675,542.00
(2) Profit distribution	-	-	203,167,554.20	-552,090,806.36	-348,923,252.16
Appropriation to surplus reserves	-	-	203,167,554.20	-203,167,554.20	-
Profit distribution to equity owners	-	-	-	-348,923,252.16	-348,923,252.16
4. Ending balance on 31 December 2014	2,180,770,326.00	2,315,587,934.74	1,884,591,029.74	4,217,315,471.69	10,598,264,762.17

Item	2013				
	Share capital	Capital surplus	Surplus reserve	Undistributed profits	Total owners' equity
1. Ending balance on 31 December 2012	2,180,770,326.00	2,315,587,934.74	1,604,265,015.87	2,326,804,741.45	8,427,428,018.06
Add: changes in accounting policies	-	-	-	-	-
2. 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
3. Movements for the year ended 31 December 2014	-	-	77,158,459.67	410,925,994.60	488,084,454.27
(1) Total comprehensive income	-	-	-	771,584,596.65	771,584,596.65
Net profit	-	-	-	771,584,596.65	771,584,596.65
(2) Profit distribution	-	-	77,158,459.67	-360,658,602.05	-283,500,142.38
Appropriation to surplus reserves	-	-	77,158,459.67	-77,158,459.67	-
Profit distribution to equity owners	-	-	-	-283,500,142.38	-283,500,142.38
4. Ending balance on 31 December 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

The attached notes are an integral part of these financial statements

Legal representative: Hu Wei

Chief Financial Officer: Gong Taotao

Head of accounting department: Sun Bin

## **Shenzhen Expressway Company Limited**

### **Notes to financial statements**

**For the year ended 31 December 2014**

(All amounts in RMB unless otherwise stated)

#### **I. General information**

##### **1. General information of the Company**

Shenzhen Expressway Company Limited (the 'Company') was established as a joint stock limited company in the People's Republic of China (the 'PRC') on 30 December 1996. The 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.

##### **2. The consolidation scope**

The detailed information of principal subsidiaries consolidated during the year is disclosed in Note VII.1(1). The Group started to consolidate Shenzhen Expressway Property Management Company Limited ('Property Company') and Shenzhen Expressway Luyun Project Construction Management Company Limited ('Luyun Company') during the year, detailed information is disclosed in Note VI.1.

These financial statements have been approved for issue by the Company's Board of Directors on 20 March 2015.

#### **II. The basis of preparation of the financial statements**

##### **1. Basis of preparation**

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

##### **2. Going concern**

The financial statements are prepared on a going concern basis.

## **Shenzhen Expressway Company Limited**

### **Notes to financial statements**

**For the year ended 31 December 2014**

(All amounts in RMB unless otherwise stated)

### **III. Summary of significant accounting policies and accounting estimates**

Specific accounting policies and accounting estimates abstracts:

The Group makes specific accounting policies and accounting estimates according to characteristics of its business operations, which include provision of bad debt of receivables (Note III.10), the criteria for determining impairment of non-current assets (Note III.18), depreciation policy of fixed assets and amortisation policy of intangible assets (Note III.14 and 17), measurement of provisions (Note III.21), revenue recognition (Note III.23) and recognition of deferred income tax assets (Note III.25)...etc.

Key judgments and estimates applied for critical accounting policies by the Group are disclosed in Note III.28.

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

The financial statements for the year ended 31 December 2014 are in compliance with the Chinese Accounting Standards, and truly and completely present the consolidated and the Company's state of affairs as of 31 December 2014 and the consolidated and the Company's operating results, cash flows and other information for the year then ended.

#### **2. Accounting period**

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

#### **3. Operating cycle**

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

#### **4. Functional currency**

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

#### **5. The accounting treatment of business combinations involving enterprises under common control and business combinations involving enterprises not under common control**

##### **(1). 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

## **Shenzhen Expressway Company Limited**

### **Notes to financial statements**

**For the year ended 31 December 2014**

(All amounts in RMB unless otherwise stated)

### **III. Summary of significant accounting policies and accounting estimates (Continued)**

#### **5. The accounting treatment of business combinations involving enterprises under common control and business combinations involving enterprises not under common control (Continued)**

##### **(2). Business combinations involving enterprises not under common control**

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

##### **6. Preparation of consolidated financial statements**

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

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

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

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

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

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

### III. Summary of significant accounting policies and accounting estimates (Continued)

#### 7. The recognition of cash and cash equivalents

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

#### 8. Foreign currency transaction translation

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

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

#### 9. Financial instruments

##### (1). Financial assets

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

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

###### Receivables

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

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

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

## **Shenzhen Expressway Company Limited**

### **Notes to financial statements**

**For the year ended 31 December 2014**

(All amounts in RMB unless otherwise stated)

### **III. Summary of significant accounting policies and accounting estimates (Continued)**

#### **9. Financial instruments (Continued)**

##### **(1). Financial assets (Continued)**

###### **(b) Recognition and measurement of financial assets**

Financial assets are recognised at fair value on the 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 year. 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 year.

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

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

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

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

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

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

## **Shenzhen Expressway Company Limited**

### **Notes to financial statements**

**For the year ended 31 December 2014**

(All amounts in RMB unless otherwise stated)

### **III. Summary of significant accounting policies and accounting estimates (Continued)**

#### **9. Financial instruments (Continued)**

##### **(2). Financial liabilities**

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

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

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

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

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

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

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

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

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

#### **10. Receivables**

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

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

### III. Summary of significant accounting policies and accounting estimates (Continued)

#### 10. Receivables (Continued)

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

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

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

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

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

Bad debt provision for receivables that are subject to provision by group with similar credit risk characteristics	
Group 1: receivables from government and related parties	Other appropriate methods
Group 2: receivables from other third parties	Aging analysis method and other appropriate methods

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

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

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

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



## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

### III. Summary of significant accounting policies and accounting estimates (Continued)

#### 10. Receivables (Continued)

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

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

#### 11. Inventories

##### (1). Classification

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

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

##### (2). Costing of inventories

The cost of properties developed is determined using specific identification method. Cost of real estate properties includes costs of land purchased, construction costs and other costs. The toll tickets, low value consumables, maintenance and repair parts and materials in stock's costs are determined using the weighted average method.

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

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

#### 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.

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

### III. Summary of significant accounting policies and accounting estimates (Continued)

#### 12. Long-term equity investments (Continued)

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

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

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

For long-term equity investments acquired through a business combination: for long-term equity 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 costs.

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

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

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

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

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.

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

### III. Summary of significant accounting policies and accounting estimates (Continued)

#### 12. Long-term equity investments (Continued)

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

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

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

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

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

The carrying amount of long-term equity investments in subsidiaries, joint ventures and associates is reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note III.18).

#### 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.

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

### III. Summary of significant accounting policies and accounting estimates (Continued)

#### 13. Investment Properties (Continued)

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 year.

The carrying amount of investment properties is reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note III.18).

#### 14. Fixed assets

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

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

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

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

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

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

## **Shenzhen Expressway Company Limited**

### **Notes to financial statements**

**For the year ended 31 December 2014**

(All amounts in RMB unless otherwise stated)

### **III. Summary of significant accounting policies and accounting estimates (Continued)**

#### **14. Fixed assets (Continued)**

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

The carrying amount of fixed assets is reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note III.18).

##### **(4). Disposal of fixed assets**

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

#### **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 III.18).

#### **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 year. 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.

## **Shenzhen Expressway Company Limited**

### **Notes to financial statements**

**For the year ended 31 December 2014**

(All amounts in RMB unless otherwise stated)

### **III. Summary of significant accounting policies and accounting estimates (Continued)**

#### **17. Intangible assets**

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

##### **(1). Concession intangible assets**

Concession intangible assets refer to the rights granted by the respective concession grantors, which entitle the Group to receive the toll fees from users and land use right obtained in conjunction with the concession arrangement. Rather than provide construction services by itself, the Group subcontracts all the infrastructure construction to other parties, concession intangible assets are therefore 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.

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.

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

### III. Summary of significant accounting policies and accounting estimates (Continued)

#### 17. Intangible assets (Continued)

##### (1). Concession intangible assets (Continued)

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	0.84 (Note 1)
Shenzhen Airport-Heao Expressway (Western Section)	May 1999 to March 2027	0.78 (Note 1)
Nanguang Expressway	January 2008 to January 2033	4.22
Shenzhen Airport-Heao Expressway (Eastern Section)	October 1997 to March 2027	3.49 (Note 1)
Wuhuang Expressway	September 1997 to September 2022	6.52
Qinglian Expressway	July 2009 to July 2034	25.36

Note 1: As stated in Note III.27(2), the Company appointed an independent professional traffic consultant to reassess the future traffic volumes of Meiguan Expressway, Shenzhen Airport-Heao Expressway (Western Section) and Shenzhen Airport-Heao Expressway (Eastern Section) and adjusted the unit usage of the aforesaid expressway from RMB1.51, RMB1.22 and RMB4.54 to RMB0.84, RMB0.78 and RMB3.49, respectively, from 1 October 2014.

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

##### (2). Other intangible assets

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

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

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

##### (4). Impairment of intangible assets

The carrying amount of intangible assets is reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note III.18).

## **Shenzhen Expressway Company Limited**

### **Notes to financial statements**

**For the year ended 31 December 2014**

(All amounts in RMB unless otherwise stated)

### **III. Summary of significant accounting policies and accounting estimates (Continued)**

#### **18. 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. Intangible asset that is not ready for its intended use is tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. 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.

#### **19. 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.

#### **20. Employee benefits**

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

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

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



## **Shenzhen Expressway Company Limited**

### **Notes to financial statements**

**For the year ended 31 December 2014**

(All amounts in RMB unless otherwise stated)

### **III. Summary of significant accounting policies and accounting estimates (Continued)**

#### **20. Employee benefits (Continued)**

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

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

##### **(a) Basic pension insurance**

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

##### **(b) Enterprise annuities plan**

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

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

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

#### **21. 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.

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

### III. Summary of significant accounting policies and accounting estimates (Continued)

#### 21. Provisions (Continued)

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.

#### 22. Dividends distribution

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

#### 23. Revenue recognition

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

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

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

(2). For construction management services 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.

(3). For the service concessions contracts entered with the government departments, according to which the Group participates in developing, financing, operating and maintenance of the toll road construction, the Group recognised revenue and cost of services using the percentage of completion method during the construction period if the Group undertake the construction work on its own. The stage of completion is measured by reference to 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-contract the work to other parties.

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

(5). 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.

## **Shenzhen Expressway Company Limited**

### **Notes to financial statements**

**For the year ended 31 December 2014**

(All amounts in RMB unless otherwise stated)

### **III. Summary of significant accounting policies and accounting estimates (Continued)**

#### **23. Revenue recognition (Continued)**

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

#### **24. Government grants**

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

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

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

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

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

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

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

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

#### **25. Deferred tax assets and deferred tax liabilities**

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

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

## **Shenzhen Expressway Company Limited**

### **Notes to financial statements**

**For the year ended 31 December 2014**

(All amounts in RMB unless otherwise stated)

### **III. Summary of significant accounting policies and accounting estimates (Continued)**

#### **25. Deferred tax assets and deferred tax liabilities (Continued)**

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

Deferred tax assets and liabilities are offset when:

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

#### **26. Other significant accounting policies and accounting estimates**

##### **Segment information**

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

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

## **Shenzhen Expressway Company Limited**

### **Notes to financial statements**

**For the year ended 31 December 2014**

(All amounts in RMB unless otherwise stated)

### **III. Summary of significant accounting policies and accounting estimates (Continued)**

#### **27. Changes in significant accounting policies and estimates**

##### **(1). Changes in significant accounting policies**

In 2014, Ministry of Finance issued and amended 'Accounting Standards for Enterprises No. 9 – Employee Benefits', 'Accounting Standards for Enterprises No. 30 – Presentation of Financial Statements', 'Accounting Standards for Enterprises No. 33 – Consolidation', 'Accounting Standards for Enterprises No. 39 – Fair value measurement', 'Accounting Standards for Enterprises No. 40 – Joint Arrangement', 'Accounting Standards for Enterprises No. 2 – Long-term equity investment' and 'Accounting Standards for Enterprises No. 41 – Disclosure of interests in other entities' (collectively for the 'Seven Standards') and 'Accounting Standards for Enterprises No. 37 – Presentation of Financial Instruments'. The effective date of the Seven Standards is 1 July 2014 and early adoption by enterprises with shares listed overseas is encouraged while the 'Accounting Standards for Enterprises No. 37 – Presentation of Financial Instruments' is effected for the year ended 31 December 2014. 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', 'Accounting Standards for Enterprises No. 30 – Presentation of Financial Statements', 'Accounting Standards for Enterprises No. 33 – Consolidation', 'Accounting Standards for Enterprises No. 39 – Fair value measurement' and 'Accounting Standards for Enterprises No. 40 – Joint arrangement' 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' and 'Accounting Standards for Enterprises No. 41 – Disclosure of interests in other entities' when preparing the financial statements for the period ended 31 March 2014. Ministry of Finance issued the application guidances for the Seven Standards in the third quarter of 2014, the Group adopted the detailed application guidances when preparing the financial statements for the period ended 30 September 2014. Meanwhile, the Group adopted the 'Accounting Standards for Enterprises No. 37 – Presentation of Financial Instruments' when preparing the financial statements for the year ended 31 December 2014.

The impacts of adoption of 'Accounting Standards for Enterprises No. 2 – Long-term equity investment', 'Accounting Standards for Enterprises No. 41 – Disclosure of interests in other entities', the application guidances for the Seven Standards and 'Accounting Standards for Enterprises No. 37 – Presentation of Financial Instruments' on the Group's financial statement for the year ended 31 December 2014 are listed as follows:

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

### III. Summary of significant accounting policies and accounting estimates (Continued)

#### 27. Changes in significant accounting policies and estimates (Continued)

##### (1). Changes in significant accounting policies (Continued)

Details and reasons for changes of accounting policies	Procedures for approval	Note (Financial statement items and amounts affected)
<p>(a) Long-term equity investment</p> <p>As stated above, the Group 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>	<p>The changes of such accounting policies have been approved by the Board of Directors of the Company on 29 April 2014.</p>	<p>The investment in United Electronic Company amounting to 30,170,000.00 as at 1 January 2014 and 1 January 2013 were reclassified from long-term equity investment to available-for-sale financial assets.</p>

**Shenzhen Expressway Company Limited**

**Notes to financial statements**

**For the year ended 31 December 2014**

(All amounts in RMB unless otherwise stated)

**III. Summary of significant accounting policies and accounting estimates (Continued)**

**27. Changes in significant accounting policies and estimates (Continued)**

**(1). Changes in significant accounting policies (Continued)**

Details and reasons for changes of accounting policies	Procedures for approval	Note (Financial statement items and amounts affected)
<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 31 December 2014 and its operating results and cash flows for the year then ended.</p>	<p>The changes of such accounting policies have been approved by the Board of Directors of the Company on 29 April 2014.</p>	<p>None.</p>
<p>(c) Other comprehensive income</p> <p>As stated above, the Company adopted the application guidances of 'Accounting Standards for Enterprises No. 30 – Presentation of Financial Statements' (Revised in 2014) when preparing the financial statements for the period ended 30 September 2014. According to the application guidances, 'other comprehensive income' which was originally recognised in 'capital reserves' item should be disclosed as a separate item in the owner' equity section in balance sheet. 'Capital reserves' item and 'other comprehensive income' item on comparative financial statements are restated accordingly.</p>	<p>The changes of such accounting policies have been approved by the Board of Directors of the Company on 30 October 2014.</p>	<p>Decrease and increase 'capital reserves' and 'other comprehensive income' in owners' equity, each amounted to RMB908,402,840.07 as at 1 January 2014.</p> <p>Decrease and increase 'capital reserves' and 'other comprehensive income' in owners' equity, each amounted to RMB906,659,977.96, as at 1 January 2013.</p>

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

### III. Summary of significant accounting policies and accounting estimates (Continued)

#### 27. Changes in significant accounting policies and estimates (Continued)

##### (1). Changes in significant accounting policies (Continued)

Details and reasons for changes of accounting policies	Procedures for approval	Note (Financial statement items and amounts affected)
<p>(d) Deferred revenue</p> <p>As stated above, the Company adopted the application guidances of 'Accounting Standards for Enterprises No. 30 – Presentation of Financial Statements' (Revised in 2014) when preparing the financial statements for the period ended 30 September 2014. According to the application guidances, 'deferred revenue' which was originally recorded in 'other non-current liabilities' item and 'other current liabilities' item should be disclosed as a separate item in the liabilities section in balance sheet. 'Other non-current liabilities' item, 'other current liabilities' item and 'deferred revenue' item on comparative financial statements are restated accordingly.</p>	<p>The changes of such accounting policies have been approved by the Board of Directors of the Company on 30 October 2014.</p>	<p>Decrease and increase 'other current liabilities' and 'deferred revenue' in current liabilities section amounted to RMB1,923,817.30 as at 1 January 2014.</p>
<p>(e) Presentation of financial instruments</p> <p>As stated above, the Company adopted 'Accounting Standards for Enterprises No. 37 – Presentation of Financial Instruments' (Revised in 2014) when preparing the financial statements for the year ended 31 December 2014. These changes in accounting policies do not have any impact on the Group's financial position as at 31 December 2014 and its operating results and cash flows for the year then ended.</p>	<p>The changes of such accounting policies have been approved by the Board of Directors of the Company on 20 March 2015.</p>	<p>None.</p>



## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

### III. Summary of significant accounting policies and accounting estimates (Continued)

#### 27. Changes in significant accounting policies and estimates (Continued)

##### (2). Changes in significant accounting estimates

Details and reasons for changes in accounting estimates	Procedures for approval	Effective date	Note (Financial statement items and amounts affected)
Changes in accounting estimates of unit usage of concession intangible assets.	Approved by the Board of Directors of the Company on 20 March 2015.	1 October 2014	(a)
Changes in accounting estimates of deferred income tax assets.	Approved by the Board of Directors of the Company on 20 March 2015.	31 December 2014	(b)

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

Since the actual traffic volumes of Meiguan Expressway, Shenzhen Airport-Heao Expressway (Western Section) and Shenzhen Airport-Heao Expressway (Eastern Section) largely differed from the traffic volume forecasts as a result of the surrounding highway networks of these expressways have become more and more stable recently, the difference between the actual traffic volume and the previous traffic volumes is expected to continue. In the fourth quarter of 2014, the Company appointed an independent professional traffic consultant to reassess the future traffic volume of the aforesaid expressways. According to the revised projected result, the Board of Directors of the Company approved the change in accounting estimates of unit usage of intangible assets arising from the concession rights of the aforesaid expressways on 20 March 2015. Since the difference between the actual traffic volume and the previous traffic volume of the aforesaid expressways has largely differed during the fourth quarter of 2014, the Board of Directors of the Company approved to adjust the unit usage of the aforesaid expressways according to the revised total projected traffic volume from 1 October 2014 on a prospective basis. Such change in accounting estimates impacts the financial statement items for 2014 as follows:

	Impact amount
Increase in intangible assets	26,595,498.55
Increase in deferred income tax liabilities	3,305,757.21
Increase in taxes payable	3,343,117.42
Decrease in cost of services	26,595,498.55
Increase in income tax expenses	6,648,874.63
Increase in net profit attributable to owners of the Company	19,946,623.92

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

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

### III. Summary of significant accounting policies and accounting estimates (Continued)

#### 27. Changes in significant accounting policies and estimates (Continued)

##### (2). Changes in significant accounting estimates (Continued)

(b) Changes in accounting estimates of deferred income tax assets

During the fourth quarter of 2014, there were certain changes in surrounding highway networks of Qinglian Expressway operated by Guangdong Qinglian Highway Development Company Limited ('Qinglian Company'). The Group re-estimated Qinglian Company's future operating revenue and profit and reviewed the extent of realisation of tax benefits arising from the tax loss carried-forward from prior years. Based on such information, the Group changed its accounting estimates of deferred income tax assets recognised on Qinglian Company's tax losses. Pursuant to the approval of the Board of Directors of the Company, the Group adjusted the deferred income tax assets of Qinglian Company as at 31 December. Such change in accounting estimates impacts the financial statement items for the year 2014 as follows:

	Impact amount
Increase in deferred income tax liabilities (Note 1)	29,678,900.00
Decrease in minority interests	7,013,124.07
Increase in income tax expenses	29,678,900.00
Decrease in profit and losses attributable to minority interests	7,013,124.07
Decrease in net profit attributable to owners of the Company	22,665,775.93

Note 1: The change in accounting estimate decreased the Group's deferred income tax assets before offset of RMB29,678,900.00 as at 31 December 2014. Taking into consideration the offsetting of balances, the change in accounting estimate increased the Group's net balance of deferred income tax liabilities of RMB29,678,900.00 as at 31 December 2014.

The change in accounting estimates will decrease the magnitude of deferred tax assets to be reversed in the future.

#### 28. Others

##### Critical accounting estimates and judgments:

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

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

## **Shenzhen Expressway Company Limited**

### **Notes to financial statements**

**For the year ended 31 December 2014**

(All amounts in RMB unless otherwise stated)

### **III. Summary of significant accounting policies and accounting estimates (Continued)**

#### **28. Others (Continued)**

##### **Critical accounting estimates and judgments (Continued)**

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

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

During the current year, 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.

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 is different from management's current estimates, the construction management services income and costs will be changed prospectively.

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

As stated at Note III.17(1), amortisation of concession intangible assets is provided under the traffic volume amortisation method. Appropriate adjustments to the amortisation of concession intangible assets will be made should there be a material difference between total projected traffic volume and the actual results.

The directors perform periodic assessment on 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 on its main toll roads in 2006, 2010, 2013 and 2014 and prospectively adjusted the amortisation unit according to the revised total projected traffic volume.

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

As stated at Note III.21, 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 the directors' estimates. Such estimates are developed based on the Group's resurfacing plan and historical costs incurred for similar activities. The costs are then discounted to the present value based on the market rate which can reflect the time value of money and the risks specific to this obligation.

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

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

### III. Summary of significant accounting policies and accounting estimates (Continued)

#### 28. Others (Continued)

##### Critical accounting estimates and judgments (Continued)

##### (4). Income tax and deferred tax

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

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

#### IV. Taxation

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

Category	Tax base	Tax rate
Corporate income tax ('CIT')	Taxable income	25%
Business tax	Revenue from expressway toll road business	3%
Business tax	Revenue from businesses other than expressway toll road	5%
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	Amount of revenue from advertisement business	3%
Value added tax	Taxable advertisement income	6%

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

#### IV. Taxation (Continued)

##### 2. Others

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

	Applicable tax 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%
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 Shengbo Landholding Company Limited ('Shengbo Company')	25%
Guizhou Pengbo Investment Company Limited ('Pengbo Company')	25%
Guizhou Yuelong Investment Company Limited ('Yuelong Company')	25%
Property Company	25%
Luyun Company	25%

(1). 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.

(2). 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.

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

#### V. Notes to the consolidated financial statements

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

	31 December 2014	31 December 2013
Cash on hand	11,445,715.38	13,334,591.16
Bank deposits	1,622,853,156.96	1,081,462,099.77
<b>Total</b>	<b>1,634,298,872.34</b>	<b>1,094,796,690.93</b>
Including: cash abroad	73,477,121.92	28,835,039.47

The Company has been engaged to manage certain highway construction projects. As at 31 December 2014, project funds retained for construction management were RMB 379,143,974.97 (31 December 2013:1,371,284.40). No bank balances have been frozen due to dispute (31 December 2013:3,788,743.43). The above project funds retained for construction management and frozen bank balances(if any) were disclosed as restricted bank balances in the cash flow statement (Note V.43(2)).

##### 2. Accounts receivable

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

Category	31 December 2014					31 December 2013				
	Ending balance		Provision for bad debts		Book value	Ending balance		Provision for bad debts		Book value
	Amount	% of total balance	Amount	Ratio		Amount	% of total balance	Amount	Ratio	
Individually significant and provision separately assessed	-	-	-	-	-	-	-	-	-	-
Provision assessed collectively	721,306,986.74	100.00	-	-	721,306,986.74	495,364,307.64	100.00	33,500.00	0.01	495,330,807.64
Group 1	660,438,689.36	91.56	-	-	660,438,689.36	404,791,473.15	81.72	-	-	404,791,473.15
Group 2	60,868,297.38	8.44	-	-	60,868,297.38	90,572,834.49	18.28	33,500.00	0.04	90,539,334.49
Individually not significant but provision separately assessed	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>721,306,986.74</b>	-	-	-	<b>721,306,986.74</b>	<b>495,364,307.64</b>	-	<b>33,500.00</b>	<b>0.01</b>	<b>495,330,807.64</b>

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

Age	31 December 2014		
	Accounts receivable	Provision for bad debts	Ratio
Within 1 year	60,016,983.04	-	-
1 to 2 years	851,314.34	-	-
<b>Total</b>	<b>60,868,297.38</b>	-	-

###### (2). Accounts receivable written-off during the year

Item	Written-off amount
Accounts receivable written-off	33,500.00

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

#### V. Notes to the consolidated financial statements (Continued)

##### 2. Accounts receivables (Continued)

###### (3). The five largest accounts receivable assembled by debtors

	Balance	Provision for bad debts	% of total balance
Total balances due from the five largest accounts receivables assembled	673,972,371.73	-	93.44%

###### (4). The ageing of accounts receivable is analysed as follows::

	31 December 2014	31 December 2013
Within 1 year	478,418,880.42	292,931,673.58
1 to 2 years	132,910,177.74	181,982,712.71
2 to 3 years	89,714,242.23	14,250.00
Over 3 years	20,263,686.35	20,435,671.35
<b>Total</b>	<b>721,306,986.74</b>	<b>495,364,307.64</b>

##### 3. Advances to suppliers

As at 31 December 2014, the amount represents payment of land transfer fund and related deed taxes paid by Guishen Company, a subsidiary of the Company, as a result of tendering for a land use right of a piece of land located in Longli County, Guizhou Province with an area of approximately 633 acres. The amount was recorded as advances to suppliers as the delivery conditions laid down 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 other parties.

###### (1). The ageing of advances to suppliers is analysed below:

Ageing	31 December 2014		31 December 2013	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	177,612,645.17	75.04	134,112,305.08	99.48
1 to 2 years	58,552,894.01	24.73	697,596.67	0.52
2 to 3 years	556,030.00	0.23	-	-
<b>Total</b>	<b>236,721,569.18</b>	<b>100.00</b>	<b>134,809,901.75</b>	<b>100.00</b>

As at 31 December 2014, advances to suppliers over 1 year mainly comprised advances for acquisition of land use rights and advances for designing fees which were not fully settled since the delivery conditions of the rights specified in the acquisition contracts had not been met or the contracts have not been completed.

**Shenzhen Expressway Company Limited**

**Notes to financial statements**

**For the year ended 31 December 2014**

(All amounts in RMB unless otherwise stated)

**V. Notes to the consolidated financial statements (Continued)**

**3. Advances to suppliers (Continued)**

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

	Amount	% of total balance
Total accumulated advances to suppliers from the five largest suppliers	230,812,262.30	97.50%

**4. Other receivables**

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

Item	31 December 2014					31 December 2013				
	Ending balance		Provision for bad debts		Book value	Ending balance		Provision for bad debts		Book value
	Amount	% of total balance	Amount	% of total balance		Amount	% of total balance	Amount	% of total balance	
Individually significant and provision separately assessed	-	-	-	-	-	-	-	-	-	-
Provision assessed collectively	98,912,102.78	100.00	-	-	98,912,102.78	165,948,978.57	100.00	-	-	165,948,978.57
Group 1	91,225,577.55	92.23	-	-	91,225,577.55	156,994,438.43	94.60	-	-	156,994,438.43
Group 2	7,686,525.23	7.77	-	-	7,686,525.23	8,954,540.14	5.40	-	-	8,954,540.14
Individually not significant but provision separately assessed	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>98,912,102.78</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>98,912,102.78</b>	<b>165,948,978.57</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>165,948,978.57</b>

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

Aging	31 December 2014		
	Other receivables	Provision for bad debts	% of total balance
Within 1 year	6,011,643.13	-	-
1 to 2 years	140,662.60	-	-
2 to 3 years	1,534,219.50	-	-
<b>Total</b>	<b>7,686,525.23</b>	<b>-</b>	<b>-</b>



## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

#### V. Notes to the consolidated financial statements (Continued)

##### 4. Other receivables (Continued)

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

Nature	31 December 2014	31 December 2013
Advances	93,585,886.18	157,163,045.20
Others	5,326,216.60	8,785,933.37
<b>Total</b>	<b>98,912,102.78</b>	<b>165,948,978.57</b>

(3). As at 31 December 2014, the five largest other receivables are analysed as follows:

Company name	Nature	31 December 2014	Ageing	% of total balance	Provision for bad debts
Guizhou Longli County Government	In relation to the Longli BT Project	89,725,351.08	Within 1 year	90.71	-
Nanguang Checkpoint Station	Advance funds in relation to water and electricity charges paid	1,187,778.47	1 to 4 years	1.20	-
Advance of funds paid on behalf of from Guangdong Jingtong Highway Project Company	Advance paid	629,535.21	1 to 3 years	0.64	-
Jiangsheng Real Estate Development (Shenzhen) Company Limited	Leasing deposits	626,034.00	1 to 3 years	0.63	-
Jiantao (Lianzhou) Copper Foil Company Limited	Advance paid	500,000.00	Within 1 year	0.51	-
<b>Total</b>	<b>/</b>	<b>92,668,698.76</b>	<b>/</b>	<b>93.69</b>	<b>-</b>

##### 5. Inventories

###### (1). Inventory classification

Item	31 December 2014			31 December 2013		
	Carrying amount	Allowance for impairment	Net book amount	Carrying amount	Allowance for impairment	Net book amount
Properties under developed	404,864,764.34	-	404,864,764.34	342,246,344.33	-	342,246,344.33
Properties in development	124,497,961.74	-	124,497,961.74	-	-	-
Toll tickets	4,236,049.20	-	4,236,049.20	2,249,284.15	-	2,249,284.15
Maintenance and repair parts	887,613.87	-	887,613.87	348,798.49	-	348,798.49
Low value consumables	261,585.95	-	261,585.95	166,667.75	-	166,667.75
Others	-	-	-	7,024.00	-	7,024.00
<b>Total</b>	<b>534,747,975.10</b>	<b>-</b>	<b>534,747,975.10</b>	<b>345,018,118.72</b>	<b>-</b>	<b>345,018,118.72</b>

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

## V. Notes to the consolidated financial statements (Continued)

### 5. Inventories (Continued)

#### (2). Borrowing costs capitalisation

During the year, the Group had capitalised borrowing costs amounting to RMB82,849.32 (2013: nil) on properties under development.

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

Item	31 December 2014	31 December 2013
Receivables due from the Shenzhen Government in relation to the compensation of the toll adjustment of Meiguan Expressway ("Compensation") (Note V.8(1)(a))	800,000,000.00	-
<b>Total</b>	<b>800,000,000.00</b>	<b>-</b>

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

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

Item	31 December 2014			31 December 2013		
	Carrying amount	Allowance for impairment	Net book amount	Carrying amount	Allowance for impairment	Net book amount
Available-for-sale equity instrument:						
- Measured at cost	30,170,000.00	-	30,170,000.00	30,170,000.00	-	30,170,000.00
<b>Total</b>	<b>30,170,000.00</b>	<b>-</b>	<b>30,170,000.00</b>	<b>30,170,000.00</b>	<b>-</b>	<b>30,170,000.00</b>

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

Investee	Carrying amount				Allowance for impairment		Share holding(%)	Cash dividends during the year
	Opening balance	Additional during the year	Deduction during the year	Closing balance	Opening balance	Closing balance		
United Electronic Company	30,170,000.00	-	-	30,170,000.00	-	-	15	-
<b>Total</b>	<b>30,170,000.00</b>	<b>-</b>	<b>-</b>	<b>30,170,000.00</b>	<b>-</b>	<b>-</b>	<b>15</b>	<b>-</b>

As at 31 December 2014 and 31 December 2013, available-for-sale financial assets represented the Company's investment in 15% of United Electronic Company's equity interests. Since such unlisted equity share did not have a quoted market price in an active market, there is a very large range of variations in its reasonable fair value estimate, as well as the types of probability data, used for determining the fair value. The estimate can not be made reasonably and, the fair value of the available-for-sale financial assets cannot be reliably measured. The Group does not have any plan to dispose the available-for-sale financial assets.

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

### V. Notes to the consolidated financial statements (Continued)

#### 8. Long-term receivables

##### (1). General information:

Item	31 December 2014			31 December 2014 <sup>3</sup>			Rang of discount rate
	Carrying amount	Bad debt provision	Net book amount	Carrying amount	Bad debt provision	Net book amount	
Receivables due from the Shenzhen Government in relation to the Compensation resulted from the toll adjustment of Meiguan Expressway (a)	1,980,587,517.90	-	1,980,587,517.90	-	-	-	5.60%~6.15%
Due from Guizhou Longli County Government in relation to the project management services provided to Longli BT Project	111,192,373.03	-	111,192,373.03	-	-	-	9%
Sub-total	2,091,779,890.93	-	2,091,779,890.93	-	-	-	
Less: Current portion	800,000,000.00	-	800,000,000.00	-	-	-	
<b>Total</b>	<b>1,291,779,890.93</b>	<b>-</b>	<b>1,291,779,890.93</b>	<b>-</b>	<b>-</b>	<b>-</b>	

(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 Traffic and Transportation Committee ('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 measured at approximately 13.8 km ('Toll Free Section') from the midnight of 31 March 2014, but the toll tariff of the Shenzhen-Dongguan border to Guanlan of Meiguan Expressway at a distance of 5.4 km will remain unchanged. The People's Government of Shenzhen undertook to make cash compensation to the Company, mainly represents compensation for the present value of future income of the Toll Free Section at approximately RMB1,597,950,000.00 and compensation for other cost/fee of RMB1,102,370,000.00 (preliminary figures, subject to the actual amount or audit figure of the relevant government audit department) (collectively defined as "Compensation resulted from the toll adjustment of Meiguan Expressway"). The Group disposed of the related intangible assets, fixed assets and construction in progress with net book values of RMB792,538,218.87, RMB37,420,064.23 and RMB2,625,214.83 on 1 April 2014, respectively, which were calculated based on estimation using the highway length and location of main structures and ancillary facilities. According to the compensation arrangement of the Adjustment Agreement and further progress, the Group recognised net gain after tax of RMB1,496,009,613.02 and RMB1,114,844,183.71 respectively from the disposal of the related assets. The Group received the first instalment 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 is obliged to pay another RMB800 million and the remaining compensation amount as well as its interests to the Group before 31 August 2015 and before 31 December 2016 respectively.

(b) Interest income recognised during the year using effective interest method was RMB90,163,340.16 (2013: nil).

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

### V. Notes to the consolidated financial statements (Continued)

#### 9. Long-term equity investments

Investee	31 December 2013	Current year movement				31 December 2014	Voting rights held (%)	Impairment provided in the current year
		Additional injection	Investment income/loss recognised under equity pick-up method	Cash dividend declared	Investment cost recovered			
<b>Joint ventures</b>								
Changsha Shenchang Expressway Company Limited ('Shenchang Company')	183,996,250.12	-	-25,231,790.75	-	-	158,764,459.37	51	-
Sub-total	183,996,250.12	-	-25,231,790.75	-	-	158,764,459.37	-	-
<b>Associates</b>								
Shenzhen Qinglong Expressway Company Limited ('Qinglong Company')	152,251,021.13	-	70,534,916.79	-	-	222,785,937.92	40	-
Consulting Company	19,229,296.35	-	4,504,902.58	-840,000.00	-	22,894,198.93	24	-
Huayu Company	47,039,552.57	-	-1,237,576.73	-	-	45,801,975.84	40	-
Guangdong Jiangzhong Expressway Company Limited ('Jiangzhong Company')	292,404,222.22	-	7,216,777.06	-1,250,000.00	-	298,370,999.28	25	-
Nanjing Yangtze River Third Bridge Company Limited ('Nanjing Third Bridge Company')	265,732,321.32	-	25,649,119.16	-2,576,076.61	-	288,805,363.87	25	-
Guangdong Yangmao Expressway Company Limited ('Yangmao Company')	258,779,973.01	-	64,937,140.34	-50,000,000.00	-	273,717,113.35	25	-
Guangzhou Western Second Ring Expressway Company Limited ('GZ W2 Company')	229,970,739.53	-	13,808,813.53	-	-	243,779,553.06	25	-
Yunfu Guangyun Expressway Company Limited ('Guangyun Company')	124,810,994.99	-	27,736,526.40	-27,736,526.40	-12,763,473.60	112,047,521.39	30	-
Shenzhen International Joint Land Company Limited ('Joint Land Company')	-	29,400,000.00	-876,550.67	-	-	28,523,449.33	49	-
Sub-total	1,390,218,121.12	29,400,000.00	212,274,068.46	-82,402,603.01	-12,763,473.60	1,536,726,112.97	-	-
<b>Total</b>	<b>1,574,214,371.24</b>	<b>29,400,000.00</b>	<b>187,042,277.71</b>	<b>-82,402,603.01</b>	<b>-12,763,473.60</b>	<b>1,695,490,572.34</b>	<b>-</b>	<b>-</b>

(1). The places of registration and main business of Shenchang Company are both located in the PRC. According to the joint venture contracts and articles of incorporation of Shenchang Company, the principal financial and operating decisions of Shenchang Company shall be made based on the common consent of both investing parties. As a result, Shenchang Company is deemed as the Company's joint venture and is accounted for using equity method.

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

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

### V. Notes to the consolidated financial statements (Continued)

#### 10. Investment properties

##### (1). Investment properties measured at cost

Item	Car parking spaces	Total
<b>1. Cost</b>		
31 December 2013	18,180,000.00	18,180,000.00
31 December 2014	18,180,000.00	18,180,000.00
<b>2. Accumulated depreciation and amortisation</b>		
31 December 2013	2,926,475.00	2,926,475.00
Current year additions	575,700.00	575,700.00
- Depreciation and amortisation made	575,700.00	575,700.00
31 December 2014	3,502,175.00	3,502,175.00
<b>3. Impairment</b>		
31 December 2013	-	-
31 December 2014	-	-
<b>4. Net book value</b>		
31 December 2014	14,677,825.00	14,677,825.00
31 December 2013	15,253,525.00	15,253,525.00

In 2014, the investment properties generated lease income of RMB2,199,453.00 (2013: RMB2,502,162.00), and incurred direct expenditures of RMB1,449,079.63 (2013: RMB1,168,146.38).

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

### V. Notes to the consolidated financial statements (Continued)

#### 11. Fixed assets

##### (1). Fixed asset movement

Item	Buildings	Traffic equipment	Motor vehicles	Office and other equipment	Total
<b>1. Cost</b>					
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
Current year additions	5,390,740.95	75,703,276.82	1,740,872.00	2,665,140.75	85,500,030.52
- Purchase	1,278,670.53	25,850,152.83	1,740,872.00	2,665,140.75	31,534,836.11
- Transfers from construction in progress (Note V.12)	4,112,070.42	49,853,123.99	-	-	53,965,194.41
Current year reductions	32,750,794.53	70,087,583.16	2,938,962.00	4,212,035.70	109,989,375.39
- Disposal in relation to the Toll Free Section of Meiguan Expressway	30,990,000.00	70,087,583.16	-	2,830,667.55	103,908,250.71
- Other disposal	1,760,794.53	-	2,938,962.00	1,381,368.15	6,081,124.68
31 December 2014	614,134,498.45	1,169,714,432.53	30,016,219.18	54,599,564.27	1,868,464,714.43
<b>2. Accumulated depreciation</b>					
31 December 2013	162,098,277.13	552,792,851.09	22,331,821.44	42,906,967.97	780,129,917.63
Current year additions	24,521,881.32	96,360,688.09	2,832,788.45	3,969,994.80	127,685,352.66
- addition	24,521,881.32	96,360,688.09	2,832,788.45	3,969,994.80	127,685,352.66
Current year reductions	18,476,469.52	45,633,756.66	2,715,729.50	3,922,545.56	70,748,501.24
- Disposal in relation to the Toll Free Section of Meiguan Expressway	18,225,886.52	45,633,756.66	-	2,628,543.30	66,488,186.48
- Other reductions	250,583.00	-	2,715,729.50	1,294,002.26	4,260,314.76
31 December 2014	168,143,688.93	603,519,782.52	22,448,880.39	42,954,417.21	837,066,769.05
<b>3. Impairment</b>					
31 December 2013	-	-	-	-	-
31 December 2014	-	-	-	-	-
<b>4. Net book value</b>					
31 December 2014	445,990,809.52	566,194,650.01	7,567,338.79	11,645,147.06	1,031,397,945.38
31 December 2013	479,396,274.90	611,305,887.78	8,882,487.74	13,239,491.25	1,112,824,141.67

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

Item	Carrying amount	Reason for lacking certificates of ownership
Buildings	RMB318,259,768.10	As all toll roads and the affiliated buildings and structures would be returned to the government when the approved operating periods expire, the Group has no intention to acquire the related property ownership certificates.

In 2014, depreciation expenses amounting to RMB122,896,335.51 and RMB4,789,017.15 had been charged into costs of services and general and administrative expenses, respectively (2013: RMB117,336,457.71 and RMB5,591,575.26).

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

### V. Notes to the consolidated financial statements (Continued)

#### 12. Construction in progress

##### (1). General information of construction in progress

Item	31 December 2014			31 December 2013		
	Carrying amount	Impairment	Net book amount	Carrying amount	Impairment	Net book amount
Road monitoring projects	4,820,816.97	-	4,820,816.97	-	-	-
Extension projects of Fumin Station of Airport-Heao Expressway (Eastern Section)	4,200,872.11	-	4,200,872.11	-	-	-
Billboard and light box projects	2,100,232.05	-	2,100,232.05	3,707,530.00	-	3,707,530.00
Compound toll lanes projects	1,873,880.55	-	1,873,880.55	-	-	-
Renovation project of Tingzu Station of Wuhuang Expressway	1,838,000.00	-	1,838,000.00	-	-	-
Toll-by-weight projects	150,000.00	-	150,000.00	13,905,659.64	-	13,905,659.64
Integrated toll system projects	-	-	-	3,443,800.00	-	3,443,800.00
Toll lanes reconstruction projects	-	-	-	3,477,755.27	-	3,477,755.27
Others	11,948,099.51	-	11,948,099.51	11,805,762.67	-	11,805,762.67
<b>Total</b>	<b>26,931,901.19</b>	<b>-</b>	<b>26,931,901.19</b>	<b>36,340,507.58</b>	<b>-</b>	<b>36,340,507.58</b>

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

### V. Notes to the consolidated financial statements (Continued)

#### 12. Construction in progress(Continued)

##### (2). Movement of significant construction in progress during the year

Item	Budget amount	31 December 2013	Current year additions	Transfer to fixed assets	Transfer to intangible assets	Disposal in relation to the Toll Free Section of Meiguan Expressway	Other reductions in current year	31 December 2014	% contribution in budget of current year	Progress of construction	Interests capitalised	Source of funds
Toll-by-weight projects	22 million	13,905,659.64	-	-13,033,916.13	-	-721,743.51	-	150,000.00	-	In progress	-	Self-owned funds
Billboard and light box projects	10 million	3,707,530.00	707,679.47	-2,226,977.42	-	-	-88,000.00	2,100,232.05	7.08	In progress	-	Self-owned funds
Integrated toll system projects	82 million	3,443,800.00	23,494,169.21	-25,717,875.62	-868,658.51	-351,435.08	-	-	28.65	Completed	-	Self-owned funds
Toll lanes reconstruction projects	5 million	3,477,755.27	-	-3,477,755.27	-	-	-	-	-	Completed	-	Self-owned funds
Road monitoring projects	5 million	-	4,820,816.97	-	-	-	-	4,820,816.97	96.42	In progress	-	Self-owned funds
Extension projects of Fumin Station of Airport-Heao Expressway (Eastern Section)	20 million	-	4,200,872.11	-	-	-	-	4,200,872.11	21.00	In progress	-	Self-owned funds
Compound toll lanes projects	3 million	-	1,873,880.55	-	-	-	-	1,873,880.55	62.46	In progress	-	Self-owned funds
Renovation project of Tingzu Station of Wuhuang Expressway	8 million	-	3,478,000.00	-1,640,000.00	-	-	-	1,838,000.00	43.48	In progress	-	Self-owned funds
Resident projects for talents	7 million	-	1,885,093.00	-1,885,093.00	-	-	-	-	26.93	Completed	-	Self-owned funds
Others	*	11,805,762.67	7,677,950.05	-5,983,576.97	-	-1,552,036.24	-	11,948,099.51	*	In progress	-	Self-owned funds
<b>Total</b>		<b>36,340,507.58</b>	<b>48,138,461.36</b>	<b>-53,965,194.41</b>	<b>-868,658.51</b>	<b>-2,625,214.83</b>	<b>-88,000.00</b>	<b>26,931,901.19</b>				

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



## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

### V. Notes to the consolidated financial statements (Continued)

#### 13. Intangible assets

##### (1). Movement of intangible assets

Item	Concession intangible assets										Billboard land use rights	Total
	Qinglian Expressway (a)	Nanguang Expressway	Shenzhen Airport-Heao Expressway (Eastern Section)	Yanba Expressway	Wuhuang Expressway	Meiguan Expressway	Yanpai Expressway	- Shenzhen Airport-Heao Expressway (Western Section)	Outer Ring Expressway	Office software		
<b>1. Cost</b>												
31 December 2013	9,228,999,209.22	2,790,981,381.35	3,092,170,511.84	1,255,337,192.11	1,523,192,561.64	1,772,314,036.53	910,532,308.18	843,668,552.23	59,052,244.96	5,772,672.00	150,323,430.73	21,632,344,100.79
Current year additions	19,173,012.03	11,697,446.72	-	-	-	1,341,125.54	-	-	1,342,243.59	7,130,600.13	3,417,023.60	44,101,451.61
- Purchased	-	-	-	-	-	-	-	-	-	6,261,941.62	3,417,023.60	9,678,965.22
- Transfer from construction in progress (Note V.12)	-	-	-	-	-	-	-	-	-	868,658.51	-	868,658.51
- Other additions	19,173,012.03	11,697,446.72	-	-	-	1,341,125.54	-	-	1,342,243.59	-	-	33,553,827.88
Current year reductions	-	-	-	-	-	1,158,266,690.98	-	150,869.98	-	448,856.00	-	1,158,866,416.96
- Disposal in relation to the Toll Free Section of Meiguan Expressway	-	-	-	-	-	1,158,266,690.98	-	-	-	448,856.00	-	1,158,715,546.98
- Other reductions	-	-	-	-	-	-	-	150,869.98	-	-	-	150,869.98
31 December 2014	9,248,172,221.25	2,802,678,828.07	3,092,170,511.84	1,255,337,192.11	1,523,192,561.64	615,388,471.09	910,532,308.18	843,517,682.25	60,394,488.55	12,454,416.13	153,740,454.33	20,517,579,135.44
<b>2. Accumulated amortisation</b>												
31 December 2013	837,393,846.56	225,920,943.43	720,950,312.51	206,414,838.69	666,301,610.32	506,639,808.03	254,648,758.64	376,282,996.22	-	1,342,069.35	80,185,687.91	3,876,080,871.66
Current year additions	225,673,028.62	78,673,297.08	223,465,640.85	47,745,319.14	83,078,897.19	65,141,145.42	49,399,911.19	50,025,425.42	-	1,767,008.59	28,114,899.71	853,084,573.21
- Additions	225,673,028.62	78,673,297.08	223,465,640.85	47,745,319.14	83,078,897.19	65,141,145.42	49,399,911.19	50,025,425.42	-	1,767,008.59	28,114,899.71	853,084,573.21
Current year reductions	-	-	-	-	-	366,139,037.45	-	70,716.30	-	38,290.66	-	366,248,044.41
- Disposal in relation to the Toll Free Section of Meiguan Expressway	-	-	-	-	-	366,139,037.45	-	-	-	38,290.66	-	366,177,328.11
- Other reductions	-	-	-	-	-	-	-	70,716.30	-	-	-	70,716.30
31 December 2014	1,063,066,875.18	304,594,240.51	944,415,953.36	254,160,157.83	749,380,507.51	205,641,916.00	304,048,669.83	426,237,705.34	-	3,070,787.28	108,300,587.62	4,362,917,400.46
<b>3. Impairment</b>												
31 December 2013	-	-	-	-	-	-	-	-	-	-	-	-
31 December 2014	-	-	-	-	-	-	-	-	-	-	-	-
<b>4. Net book value</b>												
31 December 2014	8,185,105,346.07	2,498,084,587.56	2,147,754,558.48	1,001,177,034.28	773,812,054.13	409,746,555.09	606,483,638.35	417,279,976.91	60,394,488.55	9,383,628.85	45,439,866.71	16,154,661,734.98
31 December 2013	8,391,605,362.66	2,565,060,437.92	2,371,220,199.33	1,048,922,353.42	856,890,951.32	1,265,674,228.50	655,883,549.54	467,385,556.01	59,052,244.96	4,430,602.65	70,137,742.82	17,756,263,229.13

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

#### V. Notes to the consolidated financial statements (Continued)

##### 13. Intangible assets (Continued)

###### (1). Intangible assets movement (Continued)

- (a) The pledge information relating to the concession intangible assets of Qinglian Expressway is set out in Note V.24(1)(a).
- (b) In 2014, the amortisation of intangible assets amounting to RMB853,084,573.21 was charged to current year's income statement (2013: RMB 837,096,565.66).
- (c) During the year, the Group did not capitalise borrowing costs (2013: capitalise borrowing costs amounting to RMB16,968,020.02) on intangible assets.

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

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

Item	31 December 2014		31 December 2013	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provisions for maintenance and resurfacing of the toll roads(a)	230,642,183.10	57,660,545.82	301,283,116.66	75,320,779.21
Compensation provided by concession grantors (b)	85,142,569.96	21,285,642.49	89,163,919.56	22,290,979.89
Deductible tax losses (c)	453,559,912.88	113,389,978.22	611,063,786.28	152,765,946.57
Accrued operating costs for Toll Free Section of Meiguan Expressway before transferred (d)	4,676,191.28	1,169,047.82	-	-
The difference between estimated cost of extension of Meiguan Expressway allocated to Toll Free Section with its preliminary compensation (d)	28,189,460.88	7,047,365.22	-	-
Payroll accrued but not paid	9,552,882.00	2,388,220.50	9,285,357.00	2,321,339.25
Other	5,354,592.32	1,338,648.08	6,047,651.12	1,511,912.78
<b>Total</b>	<b>817,117,792.42</b>	<b>204,279,448.15</b>	<b>1,016,843,830.62</b>	<b>254,210,957.70</b>
Including:				
Expected to be utilised within 1 year (including 1 year)		39,770,292.62		39,678,757.29
Expected to be utilised over 1 year		164,509,155.53		214,532,200.41
<b>Total</b>		<b>204,279,448.15</b>		<b>254,210,957.70</b>

- (a) Deferred tax asset was recognised based on the temporary difference between tax base and accounting base of provisions for maintenance/resurfacing obligations of toll roads
- (b) Deferred tax asset was recognised based on the temporary difference between tax base and book value of compensation provided by concession grantors in prior years

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

#### V. Notes to the consolidated financial statements (Continued)

##### 14. Deferred tax assets and deferred tax liabilities (Continued)

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

- (c) The Group estimated that Qinglian Company could generate profit against which the deductible tax losses incurred in prior years can be utilised in the future. Accordingly, a deferred tax asset on deductible tax losses was recognised.
- (d) 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, deferred tax assets were recognised on temporary differences between the tax bases and book values

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

Item	31 December 2014		31 December 2013	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
The amortisation of concession intangible assets (a)	179,224,505.20	44,806,126.30	217,196,863.44	54,299,215.86
Business combinations involving enterprises not under common control (b)				
- Qinglian Company	1,338,965,721.63	331,436,623.51	1,375,969,267.29	340,687,509.92
- Airport-Heao Eastern Company	1,503,564,116.20	375,891,031.05	1,659,900,403.72	414,975,100.92
- JEL Company	584,152,614.13	145,902,319.99	642,644,315.52	160,538,931.28
- Meiguan Company	30,726,985.23	5,661,405.62	119,194,952.08	29,798,738.02
Interest income from the Compensation resulted from the toll adjustment of Meiguan Expressway (c)	90,163,340.16	22,540,835.04	-	-
<b>Total</b>	<b>3,726,797,282.55</b>	<b>926,238,341.51</b>	<b>4,014,905,802.05</b>	<b>1,000,299,496.00</b>
Including:				
Expected to be settled within 1 year (including 1 year)		86,540,937.60		90,326,157.26
Expected to be settled over 1 year		839,697,403.91		909,973,338.74
<b>Total</b>		<b>926,238,341.51</b>		<b>1,000,299,496.00</b>

- (a) The deferred tax liability was recognised based on the temporary difference between tax base (straight line basis) and accounting base (traffic volume basis) of the amortisation of toll road concession intangible assets.
- (b) When the Company acquired equity interests of Qinglian Company, Airport-Heao Eastern Company, JEL Company and Meiguan Company, deferred tax liabilities were recognised on temporary differences between the fair values and book values of the respective identifiable assets and liabilities acquired.
- (c) As stated in Note V.8(1)(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.

**Shenzhen Expressway Company Limited**

**Notes to financial statements**

**For the year ended 31 December 2014**

(All amounts in RMB unless otherwise stated)

**V. Notes to the consolidated financial statements (Continued)**

**14. Deferred tax assets and deferred tax liabilities (Continued)**

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

Item	Deferred tax assets and liabilities offset as at 31 December 2014	Net values of deferred tax assets/liabilities as at 31 December 2014	Deferred tax assets and liabilities offset as at 31 December 2013	Net values of deferred tax assets/liabilities as at 31 December 2013
Deferred tax assets	-152,775,871.88	51,503,576.27	-186,361,990.64	67,848,967.06
Deferred tax liabilities	152,775,871.88	773,462,469.63	186,361,990.64	813,937,505.37

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

Item	31 December 2014	31 December 2013
Deductible tax losses	308,513,151.90	183,574,616.04
<b>Total</b>	<b>308,513,151.90</b>	<b>183,574,616.04</b>

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

Year	31 December 2014	31 December 2013
Year 2015	126,651,015.07	126,651,015.07
Year 2016	60,643,626.07	15,668,426.07
Year 2017	45,584,595.75	19,663,795.75
Year 2018	69,410,979.15	21,591,379.15
Year 2019	6,222,935.86	-
<b>Total</b>	<b>308,513,151.90</b>	<b>183,574,616.04</b>

**15. Short-term borrowings**

**(1). Classification of short-term borrowings**

Item	31 December 2014	31 December 2013
Unsecured borrowings	-	450,400,000.00
Secured borrowings	23,667,000.00	-
<b>Total</b>	<b>23,667,000.00</b>	<b>450,400,000.00</b>

As at 31 December 2014, the weighted average interest rate of short-term borrowings was 5.07% per annum (31 December 2013: 5.82%).

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

#### V. Notes to the consolidated financial statements (Continued)

##### 16. Accounts payable

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

Item	31 December 2014	31 December 2013
Payables for construction projects and quality deposits	153,250,144.52	375,719,993.22
Others	11,020,807.09	-
<b>Total</b>	<b>164,270,951.61</b>	<b>375,719,993.22</b>

###### (2). Significant accounts payable with aging over 1 year

Item	Balance at 31 December 2014	Reason for unsettlement
Shenzhen Municipal Engineering Corporation	12,033,643.00	Project settlement has not completed.
Zhejiang Bayong Highway Project Company Limited	11,031,374.00	Project settlement has not completed.
China Railway 18th Bureau Group Company Limited	7,774,979.00	Project settlement has not completed.
Shenzhen Haodian advertisement Company Limited	3,079,500.00	The contract has not been settled.
Jiangsi Tongwei Highway Construction Project Group Company Limited	2,387,189.33	Project settlement has not completed.
<b>Total</b>	<b>36,306,685.33</b>	<b>/</b>

##### 17. Advances from customers

###### (1). Analysis of advances from customers

Item	31 December 2014	31 December 2013
Advances from advertising customers	16,738,351.48	17,305,717.29
Others	1,583,333.37	1,583,333.03
<b>Total</b>	<b>18,321,684.85</b>	<b>18,889,050.32</b>

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

##### 18. Employee benefits payable

###### (1). Analysis of employee benefits payable

Item	31 December 2013	Current year additions	Current year reductions	31 December 2014
I. Short-term wages	103,625,310.74	281,897,251.46	278,053,619.24	107,468,942.96
II. Pension benefits – defined contribution plans	735,191.79	24,839,680.48	25,494,743.60	80,128.67
<b>Total</b>	<b>104,360,502.53</b>	<b>306,736,931.94</b>	<b>303,548,362.84</b>	<b>107,549,071.63</b>

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

### V. Notes to the consolidated financial statements (Continued)

#### 18. Employee benefits payable (Continued)

##### (2). Analysis of short-term wages

Item	31 December 2013	Current year additions	Current year reductions	31 December 2014
I. Wages and salaries, bonuses, allowances and subsidies	98,650,314.07	230,185,989.82	225,774,601.75	103,061,702.14
II. Staff welfare	-	24,409,188.23	24,409,188.23	-
III. Social security contributions	43,785.31	9,739,080.09	9,782,865.40	-
Including :Medical insurance	34,786.75	8,611,775.04	8,646,561.79	-
Work injury insurance	4,486.36	611,471.58	615,957.94	-
Maternity insurance	4,512.20	515,833.47	520,345.67	-
IV. Housing funds	-	11,288,699.29	11,288,699.29	-
V. Labor union funds and employee education funds	4,110,066.10	6,054,663.03	6,502,418.57	3,662,310.56
VI. Others	821,145.26	219,631.00	295,846.00	744,930.26
<b>Total</b>	<b>103,625,310.74</b>	<b>281,897,251.46</b>	<b>278,053,619.24</b>	<b>107,468,942.96</b>

##### (3). Analysis of defined contribution plans

Item	31 December 2013	Current year additions	Current year reductions	31 December 2014
I. Basic pensions	83,038.33	17,686,765.70	17,769,804.03	-
II. Unemployment insurance	9,737.61	324,018.19	333,755.80	-
III. Enterprise annuities	642,415.85	6,828,896.59	7,391,183.77	80,128.67
<b>Total</b>	<b>735,191.79</b>	<b>24,839,680.48</b>	<b>25,494,743.60</b>	<b>80,128.67</b>

#### 19. Taxes payable

Item	31 December 2014	31 December 2013
Corporate income tax payable	501,576,347.83	60,444,435.82
Business tax payable	22,435,189.64	9,455,666.63
City maintenance and construction tax payable	1,553,894.11	694,340.17
Educational surcharge payable	718,531.21	351,812.08
VAT payable	350,623.39	478,877.93
Others	2,630,802.69	2,485,543.36
<b>Total</b>	<b>529,265,388.87</b>	<b>73,910,675.99</b>

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

### V. Notes to the consolidated financial statements (Continued)

#### 20. Interest payable

Item	31 December 2014	31 December 2013
Interest of corporate bonds	57,292,164.11	57,292,239.11
Interest of medium-term notes	36,651,833.30	-
Interest of long-term borrowings with interest payable in installment and principal payable upon maturity	7,092,374.63	10,510,889.91
Interest of private placement notes	1,338,770.14	1,338,770.06
Interest of short-term borrowings	6,487.35	916,388.12
<b>Total</b>	<b>102,381,629.53</b>	<b>70,058,287.20</b>

#### 21. Dividends payable

Item	31 December 2014	31 December 2013
Dividends payable to minority interests of JEL Company	28,625,546.59	-
<b>Total</b>	<b>28,625,546.59</b>	<b>-</b>

#### 22. Other payables

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

Item	31 December 2014	31 December 2013
Project funds retained for construction management contracts (a)	379,143,974.97	1,371,284.40
Payable related to costs of construction management services	159,888,687.26	46,724,431.93
Project funds payables to the contractors of Longli BT Project	87,208,338.23	61,289,758.87
Advance from associates	75,678,639.61	70,636,595.28
Payable related to maintenance for roads	74,279,355.02	91,321,952.90
Guaranteed deposits for construction projects contracts or pitches (b)	55,500,398.85	68,968,758.66
Payable related to the maintenance of Airport-Heao Expressway	39,324,433.69	41,671,815.42
Mechanical and electrical costs payable	20,129,964.53	36,253,586.05
Payable related to land expropriation of Longli joint land development	1,002,855.33	55,683,914.00
Others	43,547,974.89	44,877,808.94
<b>Total</b>	<b>935,704,622.38</b>	<b>518,799,906.45</b>

(a) The Company was entrusted by Shenzhen Government for the management of the construction of highway projects. 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 31 December 2014, project funds retained in the special deposit accounts amounting to RMB379,143,974.97 (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 and the Reconstruction and Expansion of Meiguan Expressway Project.

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

## V. Notes to the consolidated financial statements (Continued)

### 22. Other payables (Continued)

#### (2). Significant other payables with aging over 1 year

Item	31 December 2014	Reason for unsettlement
Nanjing Third Bridge Company	33,526,376.43	Distribution in advance.
GZ W2 Company	30,000,000.00	Distribution in advance.
CCCC Second Highway Engineering Co.,Ltd.	16,949,062.00	Contract settlement has not completed.
Shandong Provincial Highway and Bridge Group Co.,Ltd.	15,378,998.13	Contract settlement has not completed.
Shenzhen Municipal Engineering Corporation	5,004,000.00	Contract settlement has not completed.
<b>Total</b>	<b>100,858,436.56</b>	<b>/</b>

### 23. Current portion of non-current liabilities

Item	31 December 2014	31 December 2013
Current portion of non-current borrowings	37,360,000.00	501,346,840.00
Including: Pledged (Note V.24(1)(a))	37,360,000.00	151,353,640.00
Guaranteed	-	27,830,000.00
Unsecured	-	322,163,200.00
Current portion of provisions (Note V.26)	141,896,274.98	94,303,901.05
Current portion of Private placement notes (Note V.25(1))	798,331,054.25	-
Current portion of compensations to the tax and surcharges from the toll adjustment of Meiguan Expressway (Note V.28)	44,800,000.00	-
Current portion of derivative financial liabilities	-	24,676,144.27
<b>Total</b>	<b>1,022,387,329.23</b>	<b>620,326,885.32</b>

### 24. Long-term borrowings

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

Item	31 December 2014	31 December 2013
Pledged (a)	3,898,864,000.00	4,923,524,000.00
Guaranteed	-	83,490,000.00
Unsecured	-	250,000,000.00
<b>Total</b>	<b>3,898,864,000.00</b>	<b>5,257,014,000.00</b>



## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

## V. Notes to the consolidated financial statements (Continued)

### 24. Long-term borrowings (Continued)

#### (1). Analysis of long-term borrowings (Continued)

(a) As at 31 December 2014, details of long-term pledged borrowings are set out as follows:

	Interest rate	Currency	Amount in RMB	Pledge details
Syndicated borrowings	5.895%~6.55%	RMB	3,936,224,000.00	Operating rights of Qinglian Expressway
Less: Current portion			37,360,000.00	
<b>Total</b>			<b>3,898,864,000.00</b>	

(b) As at 31 December 2014, the weighted average interest rate of long-term borrowings was from 5.895% to 6.55% per annum (31 December 2013: from 1.88% to 6.55%)

### 25. Bonds payable

#### (1). Analysis of bonds payable

Item	31 December 2014	31 December 2013
Corporate bonds	2,294,930,168.03	2,290,537,514.39
Medium-term notes	995,457,406.48	-
Private placement notes	798,331,054.25	798,264,466.01
Sub-total	4,088,718,628.76	3,088,801,980.40
Less: Current portion	798,331,054.25	-
<b>Total</b>	<b>3,290,387,574.51</b>	<b>3,088,801,980.40</b>

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

Name of bonds	Par value	Date of issuance	Maturity	Issued amount	Balance at 31 December 2013	Current year issued	Current year issuance cost	Amortisation	Current year repaid	Balance at 31 December 2014
Corporate bonds (i)	800,000,000.00	31 July 2007	15 years	800,000,000.00	793,810,014.39	-	-	1,123,153.64	-	794,933,168.03
Corporate bonds (i)	1,500,000,000.00	2 August 2011	5 years	1,500,000,000.00	1,496,727,500.00	-	-	3,272,500.00	3,000.00	1,499,997,000.00
Medium-term notes (ii)	1,000,000,000.00	7 May 2014	3 years	1,000,000,000.00	-	1,000,000,000.00	-5,750,000.00	1,207,406.48	-	995,457,406.48
Private placement notes (iii)	800,000,000.00	20 December 2012	3 years	800,000,000.00	798,264,466.01	-	-	66,588.24	-	798,331,054.25
<b>Total</b>	<b>4,100,000,000.00</b>			<b>4,100,000,000.00</b>	<b>3,088,801,980.40</b>	<b>1,000,000,000.00</b>	<b>-5,750,000.00</b>	<b>5,669,648.36</b>	<b>3,000.00</b>	<b>4,088,718,628.76</b>

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

## V. Notes to the consolidated financial statements (Continued)

### 25. Bonds payable (Continued)

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

##### (a) Corporate bonds

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

Upon the approval of Zheng Jian Xu Ke (2011) No.1131 issued by China Securities Regulatory Commission, the Company issued long-term corporate bonds with principal amount of RMB1,500,000,000.00 on 2 August 2011. The bonds bear interest of 6.0% per annum, with the interest repayable annually and the principal repayable in full upon maturity on 27 July 2016. The term of the bonds is five-year. At the end of the third year, the Company has an option to increase the coupon interest of the bonds and the bondholders have put options to sell the bonds back to the Company. A total RMB3,000.00 amount was sold back according to the declaration result in July 2014.

##### (b) Medium-term notes

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

##### (c) 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.

### 26. Provisions

	31 December 2014	31 December 2013
Provisions for maintenance/resurfacing obligations	230,642,183.10	301,283,116.66
Less: Current portion	141,896,274.98	94,303,901.05
<b>Total</b>	<b>88,745,908.12</b>	<b>206,979,215.61</b>

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

### V. Notes to the consolidated financial statements (Continued)

#### 27. Deferred income

Item	31 December 2013	Current year addition	Current year reductions	31 December 2014	Explanation
<b>Non-current liabilities</b>					
- Compensation to operating costs for Toll Free Section of Meiguan Expressway	-	162,850,000.00	-	162,850,000.00	Compensation to the accrued operating costs for Toll Free Section of Meiguan Expressway before transferred provided by Shenzhen Government.
<b>Current liabilities</b>					
- Return of deed taxes	1,923,817.30	870,668.95	-	2,794,486.25	Return of deed taxes provided from Guizhou Longli County Government to Guishen Company.
<b>Total</b>	<b>1,923,817.30</b>	<b>163,720,668.95</b>	<b>-</b>	<b>165,644,486.25</b>	

Government grants items:

Item	31 December 2013	Additional grants in current year	Recognised in non-operating income in current year	Other movement	31 December 2014	In related to assets/income
Return of deed taxes	1,923,817.30	870,668.95	-	-	2,794,486.25	In related to assets
<b>Total</b>	<b>1,923,817.30</b>	<b>870,668.95</b>	<b>-</b>	<b>-</b>	<b>2,794,486.25</b>	<b>/</b>

#### 28. Other non-current liabilities

Item	31 December 2014	31 December 2013
Long-term tax and surcharges from the toll adjustment of Meiguan Expressway	104,673,950.68	-
Less: Current portion	44,800,000.00	-
<b>Total</b>	<b>59,873,950.68</b>	<b>-</b>

#### 29. Share capital

Year 2014	31 December 2013	Movement					31 December 2014
		New shares issued	Right issue	Transfer from surplus	Others	Sub-total	
Total share capital	2,180,770,326.00	-	-	-	-	-	2,180,770,326.00

Year 2013	31 December 2012	Movement					31 December 2013
		New shares issued	Right issue	Transfer from surplus	Others	Sub-total	
Total share capital	2,180,770,326.00	-	-	-	-	-	2,180,770,326.00

# Shenzhen Expressway Company Limited

## Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

### V. Notes to the consolidated financial statements (Continued)

#### 30. Capital surplus

	31 December 2013 (Audited)	Changes in accounting policies	1 January 2014 (Restated)	Current year additions	Current year reductions	31 December 2014
Share premium	2,274,351,523.42	-	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	-14,798,681.06	-	-	-	-
Equity investment reserve	406,180.00	-406,180.00	-	-	-	-
Others	65,760.27	-65,760.27	-	-	-	-
<b>Total</b>	<b>3,182,754,363.49</b>	<b>-908,402,840.07</b>	<b>2,274,351,523.42</b>	-	-	<b>2,274,351,523.42</b>

	31 December 2012 (Audited)	Changes in accounting policies	1 January 2013 (Restated)	Current year additions	Current year reductions	31 December 2013
Share premium	2,274,351,523.42	-	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	-13,055,818.95	-	-	-	-
Equity investment reserve	406,180.00	-406,180.00	-	-	-	-
Others	65,760.27	-65,760.27	-	-	-	-
<b>Total</b>	<b>3,181,011,501.38</b>	<b>-906,659,977.96</b>	<b>2,274,351,523.42</b>	-	-	<b>2,274,351,523.42</b>

#### 31. Other comprehensive income

Year 2014	31 December 2013 (Audited)	Changes in accounting policies	1 January 2014 (Restated)	2014		31 December 2014
				Pre-tax amount incurred in current year	Post-tax amount attributable to owners of the Company	
Item that may be reclassified subsequently to profit and loss:	-	908,402,840.07	908,402,840.07	-14,798,681.06	-14,798,681.06	893,604,159.01
- Appreciation of initial equity interest upon business combination	-	893,132,218.74	893,132,218.74	-	-	893,132,218.74
- Cash flow hedges	-	14,798,681.06	14,798,681.06	-14,798,681.06	-14,798,681.06	-
- Equity investment reserve	-	406,180.00	406,180.00	-	-	406,180.00
- Others	-	65,760.27	65,760.27	-	-	65,760.27
<b>Total</b>	-	<b>908,402,840.07</b>	<b>908,402,840.07</b>	<b>-14,798,681.06</b>	<b>-14,798,681.06</b>	<b>893,604,159.01</b>

Year 2013	31 December 2012 (Audited)	Changes in accounting policies	1 January 2013 (Restated)	2013		31 December 2013
				Pre-tax amount incurred in current year	Post-tax amount attributable to owners of the Company	
Item that may be reclassified subsequently to profit and loss:	-	906,659,977.96	906,659,977.96	1,742,862.11	1,742,862.11	908,402,840.07
- Appreciation of initial equity interest upon business combination	-	893,132,218.74	893,132,218.74	-	-	893,132,218.74
- Cash flow hedges	-	13,055,818.95	13,055,818.95	1,742,862.11	1,742,862.11	14,798,681.06
- Equity investment reserve	-	406,180.00	406,180.00	-	-	406,180.00
- Others	-	65,760.27	65,760.27	-	-	65,760.27
<b>Total</b>	-	<b>906,659,977.96</b>	<b>906,659,977.96</b>	<b>1,742,862.11</b>	<b>1,742,862.11</b>	<b>908,402,840.07</b>

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

### V. Notes to the consolidated financial statements (Continued)

#### 32. Surplus reserve

Year 2014	31 December 2013	Current year additions	Current year reductions	31 December 2014
Statutory surplus reserve	1,228,032,145.48	203,167,554.20	-	1,431,199,699.68
Discretionary surplus reserve	453,391,330.06	-	-	453,391,330.06
<b>Total</b>	<b>1,681,423,475.54</b>	<b>203,167,554.20</b>	<b>-</b>	<b>1,884,591,029.74</b>

Year 2013	31 December 2012	Current year additions	Current year reductions	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
<b>Total</b>	<b>1,604,265,015.87</b>	<b>77,158,459.67</b>	<b>-</b>	<b>1,681,423,475.54</b>

In accordance with the Companies Law, the Company's Articles of Association and the resolution of Board of Directors, companies should appropriate 10% of net profit for the year to the statutory surplus reserve, and companies can cease appropriation when the statutory surplus reserve reaches 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase capital after approval from the appropriate authorities. According to a resolution passed by the Board of Directors, the Company appropriated 10% of net profit, amounting to RMB203,167,554.20 for the year 2014 (2013: 10% of the net profit for year, amounting to RMB77,158,459.67) to the statutory surplus reserve.

The Company appropriates discretionary surplus reserve after the shareholders' meeting approves the proposal from the Board of Directors. The discretionary surplus reserve can be used to make up for the loss or increase capital after approval from the appropriate authorities. The Company did not appropriate any discretionary surplus reserve for the year 2014 (2013: nil).

#### 33. Undistributed profits

Item	2014	2013
Undistributed profits at the beginning of the year	2,929,472,264.02	2,570,439,249.07
Total adjustments to opening undistributed profits	-	-
Opening undistributed profits adjusted	2,929,472,264.02	2,570,439,249.07
Add: Net profit attributable to equity holders of the Company in current year	2,186,883,365.49	719,691,617.00
Less: Appropriation for statutory surplus reserve	203,167,554.20	77,158,459.67
Dividends	348,923,252.16	283,500,142.38
Undistributed profits at the end of the year	4,564,264,823.15	2,929,472,264.02

As at 31 December 2014, included in the undistributed profits, RMB399,791,795.28 represents subsidiaries' surplus reserve attributable to the Company (31 December 2013: RMB365,486,530.30), including RMB38,590,478.40 which represented subsidiaries' surplus reserve appropriated in current year (2013: RMB40,551,365.90).

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

### V. Notes to the consolidated financial statements (Continued)

#### 33. Undistributed profits (Continued)

In accordance with the resolution passed in the Annual General meeting on 15 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 has been fully settled. The cash dividend represented 48.48% of the net profit for the year ended 31 December 2013.

In accordance with the resolution passed in the Board of Directors' meeting dated on 20 March 2015, the Board of Directors proposed a cash dividend in the amount of RMB0.45 per share, amounting to RMB981,346,646.70 as calculated by total number of issued shares of 2,180,770,326 shares. The proposed final dividend resolution is subject to the approval in the shareholders' meeting (Note XII.2). The proposed cash dividend represents 44.90% of the net profit for the year ended 31 December 2014.

#### 34. Revenue and cost of services

Item	2014		2013	
	Revenue	Cost	Revenue	Cost
Main business - toll road business	3,007,632,196.48	1,469,574,017.81	2,898,290,836.01	1,409,347,264.49
Other businesses -				
Management services (a)	503,436,013.28	172,475,017.91	266,655,579.94	53,061,451.64
Advertising services	97,980,069.65	61,677,530.05	100,636,927.57	62,620,431.06
Others	11,309,200.67	1,529,371.08	13,697,713.74	1,168,146.38
Sub-total of other businesses	612,725,283.60	235,681,919.04	380,990,221.25	116,850,029.08
<b>Total</b>	<b>3,620,357,480.08</b>	<b>1,705,255,936.85</b>	<b>3,279,281,057.26</b>	<b>1,526,197,293.57</b>

##### (a) Management service revenue

In current year, the Company was mainly engaged to manage the construction of toll road construction projects namely the Nanping (Phase II) Project, the Coastal Project Phase I, Longli BT Project, Guilong Urban Economic Zone Wangguan Comprehensive Resettlement Area Project Phase I ("Longli Resettlement (Phase I) Project") and Guilong Urban Economic Zone Wangguan Comprehensive Resettlement Area Project Phase II ("Longli Resettlement (Phase II) 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, 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 Longli Resettlement (Phase II) Project, the Company is solely granted all the cost savings in construction.

According to the related management services contracts, the Company undertakes to bear cost overruns incurred in the above projects. For Longli Resettlement (Phase I) Project and Longli Resettlement (Phase II) 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.

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

## V. Notes to the consolidated financial statements (Continued)

### 34. Revenue and cost of services (Continued)

#### (a) Management service revenue (Continued)

In current year, the Company recognised construction management service revenue of Coastal Project Phase I at RMB235,057,291.43 (2013: RMB46,821,193.56) in accordance with the latest total investment cap amount 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 RMB32,476,017.92, RMB193,109,881.82 and RMB18,443,232.62 respectively according to the percentage of completion of the projects (2013: RMB75,178,305.93, RMB123,123,121.28 and RMB610,114.54 respectively); for Longli Resettlement (Phase II) Project and etc., 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 RMB6,182,922.82 in total (2013: RMB2,922,844.63).

On 29 December 2011, the Company entered into an operation and management entrustment agreement with Baotong Company, a wholly-owned subsidiary of Shenzhen International. Pursuant to the agreement, Baotong Company entrusts the Company to manage its 89.93% equity interests in Shenzhen Longda Expressway Company Limited ("Longda Company"). However, Baotong Company retains the legal ownership in Longda Company and its entitlement to risks and rewards/obligations of Longda Company. In return for the services rendered, the Company is entitled to an annual management entrustment fee of RMB18,000,000.00. The management entrustment fee for the current year amounted to RMB18,000,000.00 (2013: RMB18,000,000.00).

### 35. Business tax and surcharges

Item	2014	2013
Business tax	112,968,301.54	99,379,787.98
City maintenance and construction tax	8,129,561.51	7,221,273.84
Educational surcharge	5,913,211.68	5,159,291.75
Construction fee for country culture development	2,921,657.47	3,030,412.61
Others	1,090,609.21	1,167,822.49
<b>Total</b>	<b>131,023,341.41</b>	<b>115,958,588.67</b>

### 36. General and administrative expenses

Item	2014	2013
Salary and wages	55,434,235.89	56,485,507.69
Depreciation	7,062,735.55	7,930,123.58
Audit fees	4,020,000.00	3,840,000.00
Expenses paid to stock exchanges	3,488,154.95	2,958,829.07
Office management expenses	2,042,464.33	2,353,660.29
Others	16,446,375.64	13,963,290.51
<b>Total</b>	<b>88,493,966.36</b>	<b>87,531,411.14</b>

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

### V. Notes to the consolidated financial statements (Continued)

#### 36. General and administrative expenses (Continued)

Expenses by nature:

Costs of services, selling expenses and general and administrative expenses in income statement by nature are analysis as follows:

Item	2014	2013
Depreciation and amortisation	984,158,950.15	962,493,003.67
Salary and wages	300,059,948.84	299,328,926.49
Costs of construction management services	128,476,580.96	18,905,752.27
Road maintenance expenses	123,277,859.36	70,859,851.27
Entrusted management expenses for Wuhuang Expressway	82,112,898.67	95,887,104.99
Material, water and electricity consumed	35,476,301.16	36,963,842.74
Mechanical and electrical costs	33,185,527.59	25,781,131.37
Integrated tolls settlement service expenses	16,389,026.70	17,233,013.26
Other expenses	95,390,942.05	86,459,878.65
<b>Total</b>	<b>1,798,528,035.48</b>	<b>1,613,912,504.71</b>

#### 37. Financial expenses

Item	2014	2013
Interest expense	524,953,143.47	582,118,380.29
Including: Interest expenses of borrowings	299,062,226.05	336,017,826.02
Interest expenses of bonds	225,973,766.74	263,068,574.29
Interest capitalisation	-82,849.32	-16,968,020.02
Time value of provision for maintenance/resurfacing obligations	7,202,706.36	24,502,875.48
Less: Interest income	107,937,294.12	24,975,054.59
Exchange gains - net	5,558,169.67	246,838.10
Others	617,494.60	878,359.35
<b>Total</b>	<b>419,277,880.64</b>	<b>582,277,722.43</b>

Interest expenses analysed by the repayment terms of bank and other borrowings are as follows:

	2014		2013	
	Borrowings	Bonds payable	Borrowings	Bonds payable
Borrowings and bonds wholly repayable within five years	51,641,261.30	180,505,613.10	38,664,760.67	218,400,420.65
Borrowings and bonds not wholly repayable within five years	247,420,964.75	45,468,153.64	297,353,065.35	44,668,153.64
<b>Total</b>	<b>299,062,226.05</b>	<b>225,973,766.74</b>	<b>336,017,826.02</b>	<b>263,068,574.29</b>



## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

### V. Notes to the consolidated financial statements (Continued)

#### 38. Investment income

Item	2014	2013
Income from long-term equity investments in joint ventures under equity method	187,042,277.71	185,676,580.93
<b>Total</b>	<b>187,042,277.71</b>	<b>185,676,580.93</b>

The Group's investment income are all generated from investment in unlisted companies for the year 2014 and 2013.

#### 39. Non-operating income

Item	2014	2013	Amount recorded as non-recurring profit or loss in 2014
Total gains on disposal of non-current assets	1,497,451,546.14	3,111,920.32	1,497,451,546.14
Including: Gains on disposal of related assets of Toll Free Section of Meiguan Expressway (Note V.8(1)(a))	1,496,009,613.02	-	1,496,009,613.02
Gains on disposal of other intangible assets	1,419,846.32	-	1,419,846.32
Gains on disposal of other fixed assets	22,086.80	3,111,920.32	22,086.80
Gains on liquidation of claim	5,894,338.00	-	5,894,338.00
Compensation to the projects of upgrading toll stations' landscape	4,834,000.00	-	4,834,000.00
Government incentives	152,080.25	950,000.00	152,080.25
Others	2,206,222.65	1,713,221.34	2,206,222.65
<b>Total</b>	<b>1,510,538,187.04</b>	<b>5,775,141.66</b>	<b>1,510,538,187.04</b>

Government grants recognised in current year's profit or losses

Grant item	2014	2013	In related to assets/income
Government incentives	152,080.25	950,000.00	In related to income.
<b>Total</b>	<b>152,080.25</b>	<b>950,000.00</b>	

#### 40. Non-operating expense

Item	2014	2013	Amount recorded as non-recurring profit or loss in 2014
Total loss on disposal of non-current assets	448,542.09	242,851,139.89	448,542.09
Including: Loss on disposal of fixed assets	448,542.09	2,351,609.68	448,542.09
Loss on disposal of concession intangible assets	-	240,499,530.21	-
Donation	594,779.00	560,000.00	594,779.00
Others	1,147,351.95	999,553.38	1,147,351.95
<b>Total</b>	<b>2,190,673.04</b>	<b>244,410,693.27</b>	<b>2,190,673.04</b>

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

#### V. Notes to the consolidated financial statements (Continued)

##### 41. Income tax expenses

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

Item	2014	2013
Current income tax	719,578,129.84	273,367,136.77
Deferred income tax	-24,129,644.95	-109,956,503.78
<b>Total</b>	<b>695,448,484.89</b>	<b>163,410,632.99</b>

###### (2). Income tax expense reconciliation from profit before tax

Item	2014	2013
Profit before tax	2,966,918,014.26	914,173,270.77
Income tax expenses calculated at applicable tax rate of 25% (2013:25%)	741,729,503.57	228,543,317.69
Difference from the CIT verification collection method of Guishen company	-32,439,749.86	-23,742,355.77
Income not subject to tax	-50,873,313.21	-50,776,122.84
The adjustment of deferred income tax assets (Note III.27(2)(b))	29,678,900.00	-
Unrecognised tax losses	1,555,733.96	5,397,844.79
Expenses not deductible for tax purposes	5,797,410.43	4,278,102.96
Deduction of the amortisation of transaction costs of convertible bonds	-	-290,153.84
Income tax expenses	695,448,484.89	163,410,632.99

##### 42. Cash flow statement items

###### (1). Cash received relating to other operating activities

Item	2014	2013
Cash received relating to Longli BT Project and the joint land development	182,765,266.56	166,469,503.64
Cash received relating to funding of Shenzhen Guangshen Coastal Expressway Investment ('Coastal Company')	37,045,540.41	-
Cash received from GZ W2 Company	7,500,000.00	7,500,000.00
Cash received from Longli Country Government in relation to Longli Resettlement (Phase II) Project	6,000,000.00	-
Project funds received from Guizhou Longli County Government in relation to Longli Resettlement (Phase I) Project	-	39,389,885.46
Cash received from Shenzhen Press Group Subway Advertisement Company	-	27,839,268.00
Cash received from other operating activities	10,959,135.58	10,982,064.29
<b>Total</b>	<b>244,269,942.55</b>	<b>252,180,721.39</b>

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

#### V. Notes to the consolidated financial statements (Continued)

##### 42. Cash flow statement items (Continued)

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

Item	2014	2013
Payment for acquisition of land use right	203,156,085.00	139,879,903.00
Cash advanced to Longli BT Project	125,515,643.04	209,108,028.82
Payment for further development of land	77,554,325.68	-
Cash advanced to Longli Resettlement (Phase I) Project	38,782,372.90	18,918,898.49
Payment related to Coastal Company	28,176,902.46	8,385,331.16
Repayments of quality deposits for Nanping (Phase II) Project	9,334,626.10	20,049,108.60
Audit, valuation, lawyers and advisory fees paid	7,834,857.06	4,492,017.72
Management expenses paid for Coastal Project	5,011,903.89	5,718,555.92
Management expenses paid for Nanping (Phase II) Project	3,265,535.46	7,955,010.84
Expenses paid to stock exchanges	2,871,252.11	3,012,496.63
Repayment to Shenzhen Press Group Subway Advertisement Company	-	27,839,268.00
Other operating expenses paid	33,969,729.80	44,841,768.90
<b>Total</b>	<b>535,473,233.50</b>	<b>490,200,388.08</b>

###### (3). Cash received relating to other investing activities

Item	2014	2013
Interests income received	17,867,369.27	27,016,905.14
<b>Total</b>	<b>17,867,369.27</b>	<b>27,016,905.14</b>

###### (4). Cash paid relating to other financing activities

Item	2014	2013
Cash paid for the settlement of derivative financial instrument	29,423,439.20	-
Cash paid for transaction costs of bonds	2,500,000.00	1,639,099.50
Cash paid for other financing expenses	1,456,740.59	1,047,309.45
<b>Total</b>	<b>33,380,179.79</b>	<b>2,686,408.95</b>

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

#### V. Notes to the consolidated financial statements (Continued)

#### 43. Supplementary information to consolidated cash flow statements

##### (1). Supplementary information to consolidated cash flow statements

Item	2014	2013
<b>1. Reconciliation from net profit to cash flows from operating activities</b>		
Net profit	2,271,469,529.37	750,762,637.78
Amortisation of investment properties	575,700.00	575,700.00
Depreciation of fixed assets	127,685,352.66	122,928,032.97
Amortisation of intangible assets	853,084,573.21	837,096,565.66
Amortisation of long-term prepaid expenses	2,813,324.28	1,892,705.04
Net (gains)/losses on disposal of non-current assets	-1,497,003,004.05	239,739,219.57
Financial expenses	419,277,880.64	582,277,722.43
Investment income	-187,042,277.71	-185,676,580.93
(Increase)/decrease of deferred tax assets	-16,345,390.79	11,389,496.37
Increase/(decrease) of deferred tax liabilities	40,475,035.74	-121,346,000.15
Increase in inventories	-189,729,856.38	-342,038,096.46
Increase in operating receivables	-57,027,635.89	-52,444,865.27
Decrease/(increase) in operating payables	25,522,051.21	-83,931,750.73
Net cash flows from operating activities	1,793,755,282.29	1,761,224,786.28
<b>2. Net change in cash</b>		
Cash at the end of the year	1,255,154,897.37	1,089,636,663.10
Less: Cash at the beginning of the year	1,089,636,663.10	1,954,204,126.56
Net increase/(decrease) in cash	165,518,234.27	-864,567,463.46

##### (2). Cash and cash equivalents

Item	31 December 2014	31 December 2013
Cash		
Including: Cash at hand	11,445,715.38	13,334,591.16
Cash at bank	1,243,709,181.99	1,076,302,071.94
Cash at the end of the year	1,255,154,897.37	1,089,636,663.10
Add: Restricted cash held by the Company and group companies (Note V.1)	379,143,974.97	5,160,027.83
<b>Total cash at bank and on hand</b>	<b>1,634,298,872.34</b>	<b>1,094,796,690.93</b>

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

#### V. Notes to the consolidated financial statements (Continued)

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

Item	Balance at 31 December 2014	Reason of restriction
Operating right of Qinglian Expressway	8,185,105,346.07	The Group's syndicated borrowings are pledged by operating right of Qinglian Expressway.
The equity interest in JEL Company	590,295,379.00	The Group's 55% equity interest in JEL Company is pledged for certain short-term borrowings.
The equity interest in Meiguan Company	534,219,058.11	The Company's 100% equity interest in Meiguan Company is used for a counter guarantee for certain long-term bonds.
Cash at bank and on hand	379,143,974.97	Restricted project funds retained for construction management.
<b>Total</b>	<b>9,688,763,758.15</b>	/

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

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

Item	Original currency at 31 December 2014	Currency exchange	RMB at 31 December 2014
Cash at bank and at hand			
Denominated in: USD	14,849.56	6.1190	90,864.46
HKD	1,794,624.75	0.7889	1,415,779.47
CHF	11.70	1.0812	12.65
PTAS	446.00	0.0468	20.87
GBP	30.00	9.5437	286.31
EUR	257.00	7.4556	1,916.09
JPY	380.00	0.0514	19.53
Short-term borrowing			
Denominated in: HKD	30,000,000.00	0.7889	23,667,000.00
Other payables			
Denominated in: HKD	73,099.00	0.7889	57,667.80
Interest payable			
Denominated in: HKD	8,223.29	0.7889	6,487.35

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

#### V. Notes to the consolidated financial statements (Continued)

##### 46. Others

##### (1). Earnings Per share

###### (a) Basic earnings per share

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

	2014	2013
Consolidated net profit attributable to ordinary shareholders of the Company	2,186,883,365.49	719,691,617.00
Weighted average number of ordinary shares outstanding	2,180,770,326.00	2,180,770,326.00
Basic earnings per share	1.003	0.330
Including: Basic earnings per share from continuing operations	1.003	0.330

###### (b) Diluted earnings per share

Diluted earnings per share is calculated by dividing net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares outstanding. As there were no dilutive potential ordinary shares for the year ended 31 December 2014, diluted earnings per share were equal to basic earnings per share.

##### (2). Net current assets

	Group	
	31 December 2014	31 December 2013
Current assets	4,026,511,428.31	2,237,727,753.83
Less: Current liabilities	2,934,967,710.94	2,234,389,118.33
<b>Net current assets</b>	<b>1,091,543,717.37</b>	<b>3,338,635.50</b>

##### (3). Total assets less current liabilities

	Group	
	31 December 2014	31 December 2013
Total assets	24,329,324,209.02	22,840,107,479.91
Less: Current liabilities	2,934,967,710.94	2,234,389,118.33
<b>Total assets less current liabilities</b>	<b>21,394,356,498.08</b>	<b>20,605,718,361.58</b>

#### VI. Change in consolidation

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

Expressway Investment Company and the Company newly incorporated and consolidated wholly owned subsidiaries namely Property Company and Luyun Company by cash amounting to RMB1,000,000.00 and RMB100,000,000.00 on 27 March 2014 and 15 August 2014, respectively.

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

#### VII. Interests in other entities

##### 1. Interests in subsidiaries

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

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

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

Name of subsidiaries	Equity interest held by minority interests	Net profit attributable to minority shareholders for the year ended 31 December 2014	Dividend declared by subsidiaries to the minority shareholders for the year ended 31 December 2014	Minority interests as at 31 December 2014
Qinglian Company	23.63%	-6,961,683.41	-	729,366,285.38
JEL Company	45%	49,143,781.68	86,826,613.77	370,672,831.80
Guishen Company	30%	42,404,065.61	-	222,551,616.64

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

## VII. Interests in other entities (Continued)

### 1. Interests in subsidiaries (Continued)

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

Name of subsidiaries	31 December 2014					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Qinglian Company	101,856,542.88	8,637,378,963.49	8,739,235,506.37	180,451,090.05	5,475,233,791.54	5,655,684,881.59
JEL Company	228,151,124.94	817,541,001.81	1,045,692,126.75	76,072,402.75	145,902,319.99	221,974,722.74
Guishen Company	1,037,295,209.60	113,733,904.12	1,151,029,113.72	409,189,971.02	-	409,189,971.02

Name of subsidiaries	31 December 2013					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Qinglian Company	166,550,814.43	8,924,804,111.52	9,091,354,925.95	567,406,571.39	5,665,976,524.31	6,233,383,095.70
JEL Company	184,360,509.29	902,700,242.37	1,087,060,751.66	19,064,789.49	160,538,931.28	179,603,720.77
Guishen Company	971,173,552.99	1,547,586.45	972,721,139.44	288,738,882.14	83,490,000.00	372,228,882.14

Name of subsidiaries	2014				2013			
	Revenue	Net (loss)/profit	Total comprehensive income	Net cash flows from operating activities	Revenue	Net (loss)/profit	Total comprehensive income	Net cash flows from operating activities
Qinglian Company	782,885,089.50	-29,461,207.82	-29,461,207.82	564,141,150.45	714,484,930.05	-240,193,120.87	-240,193,120.87	569,061,352.39
JEL Company	330,677,369.66	109,208,403.72	109,208,403.72	170,523,812.40	380,866,473.89	127,837,336.26	127,837,336.26	87,243,754.02
Guishen Company	193,109,881.82	141,346,885.38	141,346,885.38	-217,619,726.24	123,123,121.28	101,006,179.74	101,006,179.74	-192,070,953.64



## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

#### VII. Interests in other entities (Continued)

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

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

As at 31 December 2014 and 2013, no substantial restriction existed which prohibited the usage of assets or the settlement of liabilities of the Group.

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

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

	2014	2013
Joint ventures:		
Total book value of investment	158,764,459.37	183,996,250.12
Sub-total amount of the following items calculated in the Group's equity proportion in joint ventures:		
- Net profit	-25,231,790.75	13,045,940.84
- Other comprehensive income	-	-
- Total comprehensive income	-25,231,790.75	13,045,940.84
Associates:		
Total book value of investment	1,536,726,112.97	1,390,218,121.12
Sub-total amount of the following items calculated in the Group's equity proportion in associates:		
- Net profit	212,274,068.46	172,630,640.09
- Other comprehensive income	-	-
- Total comprehensive income	212,274,068.46	172,630,640.09

The directors of the Company considered that the Group has no material joint venture or associate for the year 2014 and 2013 as the investment income/(loss) from individual joint venture or associate does not exceed 10% of the total profit of the Group for the respective years.

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

As at 31 December 2014, there's no substantial restriction exists which prohibits the transfer of funds between the Group and the joint ventures and associates (31 December 2013: Nil).

## Shenzhen Expressway Company Limited

### Notes to financial statements

#### For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

### VIII. Financial instruments and risk

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

#### 1. Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and majority of the transactions are denominated in RMB. The Group is exposed to foreign exchange risk arising from the recognised assets and liabilities, and future transactions denominated in foreign currencies, primarily with respect to HK dollars. The Group's finance department at its headquarters is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies to mitigate the foreign exchange risk. The Group has entered into cross currency interest rate swap contract to minimise foreign exchange risk.

As at 31 December 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:

	31 December 2014		
	HKD	Other foreign currencies	Total
Financial assets denominated in foreign currency -			
Cash at bank and on hand	1,415,779.47	93,119.91	1,508,899.38
Financial liabilities denominated in foreign currency -			
Short-term borrowings	23,667,000.00	-	23,667,000.00
Other payables	57,667.80	-	57,667.80
Interest payable	6,487.35	-	6,487.35
Total financial liabilities denominated in foreign currency	23,731,155.15	-	23,731,155.15

	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

As at 31 December 2014, if RMB had strengthened/weakened by 10% against the HKD while all other variables hold constant, the Group's net profit for the period would have been approximately RMB2,218,716.07 (31 December 2013: RMB1,625,408.11 considering of the impact of cross currency interest rate swap).

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

### VIII. Financial instruments and risk (Continued)

#### 2. Interest rate risk

The Group's interest rate risk arises from long-term interest bearing borrowings including long-term borrowings and bonds payable. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at 31 December 2014, the Group's long-term interest bearing borrowings and bonds payable with floating rates amounting to RMB3,898,864,000.00 (31 December 2013: approximately 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.

In current year, if interest rates on the floating rate borrowings and bonds payable had risen/fallen 50 basis points while all other variables hold constant, the Group's net profit would have decreased/increased by approximately RMB15,377,241.42(31 December 2013: approximately RMB16,528,461.18).

#### 3. Credit risk

The Group expects that there is no significant credit risk. The carrying values of cash at bank and on hand and receivables accounted for the maximum credit risk of the Group.

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

	31 December 2014	31 December 2013
State-owned banks	689,678,681.03	826,419,772.59
Other banks	933,174,475.93	255,042,327.18
<b>Total</b>	<b>1,622,853,156.96</b>	<b>1,081,462,099.77</b>

It is expected that there is no significant credit risk associated with the bank deposits as the state-owned banks have the support of the government and the others are the listed banks or commercial banks at large/medium scale. The management does not expect any losses from breaching the contracts of these counterparties.

Due to the business nature of the Group, as at 31 December 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 RMB2.499 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 concern of credit risk arising from other customers.

As at 31 December 2014 and 2013, the Group has no significant overdue receivables.

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

### VIII. Financial instruments and risk (Continued)

#### 4. Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department in its headquarters. The Group's finance department at its headquarters monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institution so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities so as to meet the short-term and long-term liquidity requirements.

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

	31 December 2014				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial liabilities -					
Short-term borrowings	23,676,118.63	-	-	-	23,676,118.63
Current portion of non-current liabilities (Note 2)	886,161,196.85	-	-	-	886,161,196.85
Payables (Note 1)	1,099,975,573.99	-	-	-	1,099,975,573.99
Long-term borrowings	229,838,032.80	522,402,992.63	1,842,280,840.31	2,566,313,798.63	5,160,835,664.37
Bonds payables	189,099,820.00	1,689,096,820.00	1,187,100,000.00	932,000,000.00	3,997,296,640.00
<b>Total</b>	<b>2,428,750,742.27</b>	<b>2,211,499,812.63</b>	<b>3,029,380,840.31</b>	<b>3,498,313,798.63</b>	<b>11,167,945,193.84</b>

	31 December 2013				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial liabilities -					
Short-term borrowings	463,160,569.86	-	-	-	463,160,569.86
Current portion of non-current liabilities (Note 2)	545,446,886.01	-	-	-	545,446,886.01
Payables (Note 1)	894,519,899.67	-	-	-	894,519,899.67
Long-term borrowings	306,732,949.80	783,510,887.10	2,527,713,230.59	3,338,288,596.54	6,956,245,664.03
Bonds payables	181,200,000.00	981,200,000.00	1,722,000,000.00	976,000,000.00	3,860,400,000.00
<b>Total</b>	<b>2,391,060,305.34</b>	<b>1,764,710,887.10</b>	<b>4,249,713,230.59</b>	<b>4,314,288,596.54</b>	<b>12,719,773,019.57</b>

Note 1: Payables comprise accounts payable and other payables.

Note 2: Excluding current portion of provisions for maintenance/resurfacing obligations.

Borrowings and bonds payable are analysed by repayment terms as follows:

	31 December 2014		31 December 2013	
	Borrowings	Bonds payable	Borrowings	Bonds payable
Wholly repayable within five years	23,667,000.00	3,299,997,000.00	1,471,336,840.00	2,300,000,000.00
Not wholly repayable within five years	3,936,224,000.00	800,000,000.00	4,737,424,000.00	800,000,000.00
	<b>3,959,891,000.00</b>	<b>4,099,997,000.00</b>	<b>6,208,760,840.00</b>	<b>3,100,000,000.00</b>

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

#### VIII. Financial instruments and risk (Continued)

##### 4. Liquidity risk (Continued)

Since the Group has steady and sufficient cash flow from operation, sufficient banking facilities and proper financing arrangement to fulfill the needs of payment of debts and capital expenditures, the directors consider that the Group has no significant liquidity risk.

#### VIII. Fair value disclosure

##### 1. Assets and liabilities with fair value disclosure but not measured at fair value

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

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

	31 December 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	3,290,387,574.51	3,157,993,121.89	3,088,801,980.40	2,985,348,814.86
	<b>3,290,387,574.51</b>	<b>3,157,993,121.89</b>	<b>3,653,801,980.40</b>	<b>3,539,053,309.58</b>

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.

##### 2. Others

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.

As at 31 December 2014, the Group has no financial asset or liability constantly measured at fair value by the above three levels.

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

#### IX. Fair value disclosure (Continued)

##### 2. Others (Continued)

As at 31 December 2013, the Group's financial assets and liability that constantly measured at fair value by the above three levels are analysed as follows:

	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

#### IX. Related parties and related party transactions

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

Name of the parent company	Place of registration	Nature of business	Registered capital	% equity interest in the Company	% voting right in the Company
Shenzhen International	Bermuda	Investment holding	HKD2,000,000,000.00	50.89%	50.89%

The Company's ultimate controlling party is SIHCL.

##### 2. Information of subsidiaries

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

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

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

Name of joint ventures and associates	Relationship with the Group
Qinglong Company	Associate
Consulting Company	Associate
Huayu Company	Associate
Nanjing Third Bridge Company	Associate
GZ W2 Company	Associate
Joint Land Company	Associate

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

## X. Related parties and related party transactions (Continued)

### 4. Information of other related parties

Name of other related parties	Relationship with the Group
Baotong Company	Under same control of Shenzhen International
Longda Company	Under same control of Shenzhen International
Shenzhen International South-China Logistics Co., Ltd. ('SC Logistics Company')	Under same control of Shenzhen International
Xin Tong Chan Company	Shareholder of the Company
Shenzhen International Huatongyuan Logistics Co., Ltd. ('Huatongyuan Company')	Under same control of Shenzhen International
Coastal Company	Ultimately controlled by SIHCL
United Electronic Company	One of its directors is the Company's key management personnel
Flywheel Investments Limited	Under same control of Shenzhen International
Guangzhou Cement Company Limited	Minority interests of one subsidiary of Company

### 5. Related party transactions

#### (1). Rendering or receiving of services

##### (a) Receiving of services

Name of related parties	Nature of transactions	2014	2013
Consulting Company	Receiving project management services	13,555,264.18	31,280,718.91
United Electronic Company	Receiving integrated toll system settlement services	16,389,026.70	17,233,013.26
Others	Receiving power supply services and others	798,646.21	636,676.28

The Group signed management services contracts with Consulting Company, which mainly in relation to the project management services provided to Qinglian Expressway and Shenzhen Airport-Heao Expressway (Eastern Section).

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

Advertising Company, Airport-Heao Eastern Company and Meiguan Company, subsidiaries of the Company, received power supply services for its advertising boards from SC Logistics Company, Xin Tong Chan Company, Huayu Company, Longda Company, Qinglong Company and Guangzhou Cement Company Ltd.. The respective transaction amounts were not disclosed as they are not material.

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

#### X. Related parties and related party transactions (Continued)

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

###### (1). Rendering or receiving of services (Continued)

###### (b) Rendering of services

Name of related parties	Nature of transactions	31 December 2014	31 December 2013
Coastal Company	Entrusted construction management services	235,057,291.43	46,821,193.56
Qinglong Company	Provide integrated toll services	10,887.05	-
Others	Supply of water and electricity for offices	1,391,853.02	1,418,929.00

On 6 November 2009, SIHCL signed an 'operation and management entrustment agreement' with the Company and entrusted the Company to operate and manage its wholly owned subsidiary, Coastal Company. During the entrustment period, the Company operates and manages Coastal Company in accordance with the agreement to complete the construction and operation of the Coastal Project Phase I. Pursuant to the agreement, the management service revenue is calculated by 1.5% of the construction budget and the Company would share 20% of any savings of the total budgeted contract costs, which was also stated in the 'entrusted construction management agreement' signed by Coastal Company and the Company on 9 September 2011. The terms of entrusted operation have not been formally entered. During the year, the Company has recognised construction management services fee amounting to RMB 235,057,291.43, calculated based on the stage of completion (2013: RMB 46,821,193.56).

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 year (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.

###### (2). Related party trusteeship

The company trusteeship is analysed as follows:

Entrusting party	Entrusted party	Type of entrustment	Date of the commencement of the trusteeship	Date of the termination of the trusteeship	The basis of pricing for the trusteeship	Entrusted revenue recognised in 2014
Baotong Company	The Company	Equity	1 January 2014	31 December 2015	Negotiated price	18,000,000.00



## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

## X. Related parties and related party transactions (Continued)

### 5. Related party transactions (Continued)

#### (3). Leases

(a) As a lessor

Lessee	Assets leased	Recognised rental income in 2014	Recognised rental income in 2013
United Electronic Company and Consulting Company	Office building	304,252.00	120,998.00

(b) As a lessee

Lessor	Assets leased	Total rental expenses in 2014	Total rental expenses in 2013
Longda Company, Huayu Company, Qinglong Company, SC Logistics Company, Xin Tong Chan Company, Huatongyuan Company and Coastal Company	Billboard land use rights	2,990,500.00	2,678,400.00

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

#### (4). Financing

Related party	Financing amount	Starting date	Ending date
Advance from:			
GZ W2 Company	7,500,000.00	21 November 2014	No fixed repayment date, but repayable on demand

#### (5). Advance on behalf of related companies

During current year, according to the framework agreements signed with SIHCL on 6 November 2009 in relation to the entrustment of operation and management on Coastal Company, the Group paid upfront operating costs amounting to RMB25,657,650.17 on behalf of Coastal Company (2013: RMB8,385,331.16). Up to 31 December 2014, the advance has been repaid by Coastal Company.

#### (6). Joint investment with related parties

On 20 August 2014, the Company and Xin Tong Chan Company, a wholly-owned subsidiary of Shenzhen International, entered into a joint investment transaction and set up Joint Land Company to carry out the Meilin Checkpoint Urban Renewal Project. The registered capital of Joint Land Company amounts to RMB200,000,000.00. The Company holds equity proportion of 49% of Joint Land Company. Up to 31 December 2014, the Company has made cash contribution to Joint Land Company amounting to RMB29,400,000.00.

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

#### X. Related parties and related party transactions (Continued)

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

###### (7). Remuneration of key management personnel

Item	2014	2013
Remuneration of key management personnel	10,900,000.00	10,944,500.00

Key management personnel include directors, supervisor and senior management staff. In current year, the Company has 22 key management personnel (2013: 22 personnel).

###### (8). Others

###### (a) Directors and supervisors' emoluments

Directors and supervisors' emoluments for the year ended 31 December 2014 are as follows:

Name	Remuneration	Salary and bonus	Total
Yang Hai*	-	910,000.00	910,000.00
Wu Ya De*	-	910,000.00	910,000.00
Chiu Chi Cheong	350,000.00	-	350,000.00
Au Sing Kun	180,000.00	-	180,000.00
Lin Chu Chang	180,000.00	-	180,000.00
Wang Hai Tao	180,000.00	-	180,000.00
Zhang Li Min	180,000.00	-	180,000.00
Fang Jie*	-	660,000.00	660,000.00

Directors and supervisors' emoluments for the year ended 31 December 2013 are as follows:

Name	Remuneration	Salary and bonus	Total
Yang Hai*	-	959,000.00	959,000.00
Wu Ya De*	-	960,000.00	960,000.00
Chiu Chi Cheong	350,000.00	-	350,000.00
An Sing Kun	180,000.00	-	180,000.00
Lin Chu Chang	180,000.00	-	180,000.00
Wang Hai Tao	180,000.00	-	180,000.00
Zhang Li Min	180,000.00	-	180,000.00
Fang Jie*	-	604,000.00	604,000.00

\* The directors and supervisor's emoluments have been included in remuneration of key management personnel in Note X.5(7).

## Shenzhen Expressway Company Limited

### Notes to financial statements

#### For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

### X. Related parties and related party transactions (Continued)

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

##### (8). Others (Continued)

###### (a) Directors and supervisors' emoluments (Continued)

During the year ended 31 December 2014, The Chairman, Yang Hai, the executive director and chief executive officer, Wu Ya De, the directors, Li Jing Qi, Zhao Jun Rong, Hu Wei, Tse Yat Hong, Zhang Yang, Chiu Chi Cheong, Wang Hai Tao, Zhang Li Min, Au Sing Kun, Lin Chu Chang and the supervisors, Zhong Shan Qun, He Sen and Fang Jie are entitled to allowance (after individual income tax) amounting to RMB12,000.00, RMB12,000.00, RMB9,000.00, RMB8,500.00, RMB10,000.00, RMB11,000.00, RMB11,000.00, RMB12,000.00, RMB13,000.00, RMB12,500.00, RMB14,000.00, RMB9,000.00, RMB8,000.00, RMB7,000.00, and RMB8,500.00. The Chairman, Yang Hai, the executive director and chief executive officer, Wu Ya De, the directors, Li Jing Qi, Zhao Jun Rong, Hu Wei, Tse Yat Hong and the supervisor, Zhong Shan Qun have waived to receive the directors' allowance of the current year.

During the year ended 31 December 2014, The Chairman, Yang Hai, the executive director and chief executive officer, Wu Ya De, were entitled to the pension schemes contribution of RMB106,000.00 (2013: RMB103,000.00) and RMB106,000.00 (2013: RMB104,000.00), respectively.

In addition, The Chairman, Yang Hai, the executive director and chief executive officer, Wu Ya De, are also entitled to other benefits and allowances including medical care contribution and others, with amounts of RMB60,000.00(2013: RMB58,000.00) and RMB 60,000.00(2013: RMB58,500.00) respectively during the year ended 31 December 2014.

###### (b) The five top paid individuals

The five top paid individuals of the Group for the year include 2 (2013: 2 directors) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 3 (2013: 3 directors) individuals during the year are as follows:

	2014	2013
Basic salaries, bonus, housing allowance, other allowances	2,658,000.00	2,654,500.00
Pension	302,000.00	294,000.00
<b>Total</b>	<b>2,960,000.00</b>	<b>2,948,500.00</b>

	Number of individuals	
	2014	2013
Emolument range:		
HKD0 – HKD1,000,000	-	-
HKD1,000,001 – HKD1,500,000	3	3
HKD1,500,001 – HKD2,000,000	-	-

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

#### X. Related parties and related party transactions (Continued)

##### 6. Receivables due from and payables to related parties

###### (1). Receivable items

Item	Related parties	31 December 2014		31 December 2013	
		Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Accounts receivables	Coastal Company	340,620,152.60	-	105,562,861.17	-
Accounts receivables	Baotong Company	2,295,854.23	-	2,295,854.23	-
Other receivables	Huayu Company	20,000.00	-	20,000.00	-
Other receivables	Longda company	10,000.00	-	10,000.00	-
Advances to suppliers	Consulting Company	80,000.00	-	3,035,060.00	-

###### (2). Payables items

Item	Related parties	31 December 2014	31 December 2013
Accounts payable	Coastal Company	1,000,000.00	-
Accounts payable	Longda company	85,000.00	-
Accounts payable	Huayu Company	45,000.00	-
Accounts payable	Consulting Company	13,500.00	6,738,801.10
Accounts payable	SC Logistics Company'	12,000.00	-
Accounts payable	Shenzhen International	3,500.00	-
Other payables	GZ W2 Company	37,500,000.00	30,000,000.00
Other payables	Nanjing Third Bridge Company	33,526,376.43	33,526,376.43
Other payables	Consulting Company	4,607,463.18	7,110,218.85
Other payables	Coastal Company	483,306.79	-
Other payables	Qinglong Company	44,800.00	-
Other payables	Guangzhou Cement Company Limited	40,000.00	-
Other payables	United Electronic Company	5,000.00	1,477,986.12
Other payables	Shenzhen International	5,000.00	5,000.00
Dividend payable	Flywheel Investments Limited	28,625,546.59	-

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

#### X. Related parties and related party transactions (Continued)

##### 7. Commitments to related parties

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

###### (1). Receiving of services

	2014	2013
Consulting Company	35,653,696.20	36,483,921.26

###### (2). Investment commitment

As stated in Note X.5(6), the Company jointly set up a joint land development company ("Joint Land Company") with Xin Tong Chan Company, a wholly-owned subsidiary of Shenzhen International. The Company and Xin Tong Chan Company will make capital contributions in cash to the Joint Land Company in proportion to their respective equity interests if additional capital is required by Joint Land Company. The aggregate capital contributions (including initial capital contribution and subsequent capital injection) of both parties shall not exceed RMB5,000,000,000.00, in which the Company's aggregate capital contributions shall not exceed RMB2,450,000,000.00. Up to 31 December 2014, the Company has made cash contribution to Joint Land Company amounted to RMB29,400,000.00. The remaining investment commitment is RMB2,420,600,000.00 accordingly.

#### X. Commitments and contingencies

##### 1. Significant commitments

###### (1). Capital commitments

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

	31 December 2014	31 December 2013
Expressway construction projects	133,255,934.78	148,380,999.50

As at 31 December 2014 and 31 December 2013, the joint ventures had no capital commitments.

###### (2). Commitment in related to real estate projects

	31 December 2014	31 December 2013
Contracted but not yet recognised on the balance sheet	110,563,248.39	18,740,504.00

## **Shenzhen Expressway Company Limited**

### **Notes to financial statements**

**For the year ended 31 December 2014**

(All amounts in RMB unless otherwise stated)

## **XI. Commitments and contingencies (Continued)**

### **1. Significant commitments (Continued)**

#### **(3). Investment commitment**

As at 31 December 2014, the Group's investment commitments amounted to RMB2,420,600,000.00, which mainly represented the Group's capital injection commitment to Joint Land Company. Detailed information is disclosed in Note X.7(2).

### **2. Contingencies**

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

- (a) The Company was entrusted by Shenzhen Transportation Bureau to manage the construction project of Nanping Phase II Project. Pursuant to the contract, the Company had arranged with bank to issue irrevocable performance guarantees to Shenzhen Transportation Bureau amounting to RMB15,000,000.00.
- (b) The Company was entrusted by Shenzhen Traffic Public Facilities Construction Center to manage the construction project of Longda Municipal Section. Pursuant to the contract, the Company had arranged with bank to issue irrevocable performance guarantees to Shenzhen Traffic Public Facilities Construction Center amounting to RMB2,000,000.00.
- (c) The Company was entrusted by Shenzhen Longhua New Area Construction Management Center to manage the construction project of 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. Pursuant to the contract, the Company had arranged with bank to issue irrevocable performance guarantees to Shenzhen Longhua New Area Construction Management Center amounting to RMB35,850,000.00.
- (d) Arbitration in progress

Upon the government approval, Qinglian Company upgraded Qinglian Class I Highway to an expressway and the project was completed on 25 January 2011. In 2011, Qingyuan Fengyun Eco-tourism Development Company Limited sued against Qinglian Company in Qingyuan Intermediate Court for the closing of exits of expressway due to construction. Qinglian Company was judged to win in the first trial. Qingyuan Fengyun Eco-tourism Development Company Limited appealed to the High Court of Guangdong Province. The High Court of Guangdong Province judged a trial de novo executed by Qingyuan Intermediate Court and the Company still win in this trial de novo. As at the date of approval of these 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.

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

#### XI. Events after the balance sheet date

##### 1. Significant unadjusted events after the balance sheet date

Up to the date of approval of these financial statements, except for below new establishment of a subsidiary, the Group did not have any significant unadjusted events after the balance sheet date.

On 22 January 2015, the Company newly incorporated Guizhou Hengfengxin Property Company Limited, Guizhou Henghongda Property Company Limited and Guizhou Hengtongli Property Company Limited, all of which are wholly owned subsidiaries of the Company. The registered capital of these subsidiaries is all amounting to RMB1,000,000.00, which has been fully paid up by the Company in March 2015.

##### 2. Dividend distribution

Dividends proposed to distribute	
Final dividends proposed by the Board of Directors on 20 March 2015 which is subject to the approval in the shareholders' meeting	RMB981,346,646.70

#### XII. Other significant matters

##### 1. Segment information

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

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

The Group has two reportable segments, namely toll road segment and management service segment. Toll road segment takes charge of operation and management of toll roads in mainland China, while management service segment takes charge of entrusted project construction and operation management in mainland China.

Other businesses are principally comprised of advertising services and other services. The Group has no inter-segment revenues. These businesses do not compose separate reportable segments.

# Shenzhen Expressway Company Limited

## Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

### XIII. Other significant matters (Continued)

#### 1. Segment information (Continued)

##### (2). Segment information

Year 2014	Toll road	Management service	Other	Unallocated	Total
Revenue from external customers	3,007,632,196.48	503,436,013.28	109,289,270.32	-	3,620,357,480.08
Cost of services	1,469,574,017.81	-	-	-	1,469,574,017.81
Interest income	93,308,657.03	579,134.69	329,398.80	13,720,103.60	107,937,294.12
Interest expense	515,185,510.41	9,767,633.06	-	-	524,953,143.47
Share of profit of associates and joint ventures	183,413,925.80	-	3,628,351.91	-	187,042,277.71
Depreciation and amortisation	944,028,500.70	1,038,767.64	32,249,495.47	6,842,186.34	984,158,950.15
Total profit	2,718,525,956.45	306,498,305.73	6,054,441.19	-64,160,689.11	2,966,918,014.26
Income tax expenses	650,499,073.11	36,244,498.17	8,704,913.61	-	695,448,484.89
Net profit	2,068,026,883.34	270,253,807.56	-2,650,472.42	-64,160,689.11	2,271,469,529.37
Total assets	22,980,137,472.67	301,072,894.17	869,309,018.57	178,804,823.61	24,329,324,209.02
Total liabilities	10,381,194,615.33	623,197,316.94	92,542,414.08	112,217,267.53	11,209,151,613.88
Long-term equity investments in associates and joint ventures	1,644,072,924.08	-	51,417,648.26	-	1,695,490,572.34
Additions to non-current assets other than financial assets, long-term equity investments and deferred income tax assets	116,452,931.83	17,358.00	4,721,068.26	2,262,249.98	123,453,608.07

Year 2013	Toll road	Management service	Other	Unallocated	Total
Revenue from external customers	2,898,290,836.01	266,655,579.59	114,334,641.66	-	3,279,281,057.26
Cost of services	1,409,347,264.49	-	-	-	1,409,347,264.49
Interest income	3,250,214.92	2,218,636.49	578,748.51	18,927,454.67	24,975,054.59
Interest expense	578,836,323.08	3,282,057.21	-	-	582,118,380.29
Share of profit of associates and joint ventures	181,992,713.34	-	3,683,867.59	-	185,676,580.93
Depreciation and amortisation	920,409,639.56	1,128,446.77	34,186,619.81	6,768,297.53	962,493,003.67
Total profit	761,297,404.69	201,581,372.17	28,502,894.10	-77,208,400.19	914,173,270.77
Income tax expenses	127,700,471.39	26,601,832.54	9,108,329.06	-	163,410,632.99
Net profit	633,596,933.30	174,979,539.63	19,394,565.04	-77,208,400.19	750,762,637.78
Total assets	21,637,909,725.11	485,415,500.38	554,617,977.32	162,164,277.10	22,840,107,479.91
Total liabilities	11,023,026,560.68	423,374,779.04	41,725,552.08	112,994,927.91	11,601,121,819.71
Long-term equity investments in associates and joint ventures	1,554,985,074.89	-	19,229,296.35	-	1,574,214,371.24
Additions to non-current assets other than financial assets, long-term equity investments and deferred income tax assets	538,804,717.45	66,049.01	52,341,760.35	1,656,005.50	592,868,532.31



## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

### XIII. Other significant matters (Continued)

#### 1. Segment information (Continued)

##### (3). Other disclosure

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

### XIII. Notes to the Company's financial statements

#### 1. Accounts receivables

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

Categories	31 December 2014					31 December 2013				
	Ending balance		Provision for bad debts		Book value	Ending balance		Provision for bad debts		Book value
	Amount	% of total balance	Amount	Ratio		Amount	% of total balance	Amount	Ratio	
Individually significant and provision separately made	-	-	-	-	-	-	-	-	-	-
Provision made collectively	530,410,157.03	100.00	-	-	530,410,157.03	338,977,218.48	100.00	-	-	338,977,218.48
- Group 1	507,026,089.06	95.59	-	-	507,026,089.06	300,275,148.32	88.58	-	-	300,275,148.32
- Group 2	23,384,067.97	4.41	-	-	23,384,067.97	38,702,070.16	11.42	-	-	38,702,070.16
Not individually significant but provision separately made	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>530,410,157.03</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>530,410,157.03</b>	<b>338,977,218.48</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>338,977,218.48</b>

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

Aging	31 December 2014		
	Accounts receivable	Provision for bad debts	Ratio
Within 1 year	23,384,067.97	-	-
<b>Total</b>	<b>23,384,067.97</b>	<b>-</b>	<b>-</b>

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

Categories	Amounts	Provision for bad debts	% of total balance
Total balances from five largest accounts receivables assembled	512,340,298.46	-	96.59%

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

#### XIV. Notes to the Company's financial statements (Continued)

##### 2. Other receivables

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

Categories	31 December 2014					31 December 2013				
	Ending balance		Provision for bad debts		Book amount	Ending balance		Provision for bad debts		Book amount
	Amount	% of total balance	Amount	% of total balance		Amount	% of total balance	Amount	% of total balance	
Individually significant and provision separately made	-	-	-	-	-	-	-	-	-	-
Provision made collectively	736,893,668.46	100.00	-	-	736,893,668.46	655,248,023.99	100.00	-	-	655,248,023.99
- Group 1	735,455,095.46	99.80	-	-	735,455,095.46	652,571,769.66	99.59	-	-	652,571,769.66
- Group 2	1,438,573.00	0.20	-	-	1,438,573.00	2,676,254.33	0.41	-	-	2,676,254.33
Not individually significant but provision separately made	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>736,893,668.46</b>	-	-	-	<b>736,893,668.46</b>	<b>655,248,023.99</b>	-	-	-	<b>655,248,023.99</b>

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

Aging	31 December 2014		
	Other receivables	Provision for bad debts	% of total balance
Within 1 year	1,394,260.40	-	-
1 to 2 years	7,262.60	-	-
2 to 3 years	37,050.00	-	-
<b>Total</b>	<b>1,438,573.00</b>	-	-

(2). Receivables by nature are analysed as follows:

Item	31 December 2014	31 December 2013
Advances	460,115,624.66	499,226,246.52
Loans to Guishen Company	256,000,000.00	135,128,054.79
Loans to Qinglian Company	19,167,376.10	19,093,239.13
Others	1,610,667.70	1,800,483.55
<b>Total</b>	<b>736,893,668.46</b>	<b>655,248,023.99</b>

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

#### XIV. Notes to the Company's financial statements (Continued)

##### 2. Other receivables (Continued)

(3). As at 31 December 2014, the five largest other receivables are analysed as follows:

Categories	Nature	Amount	Aging	% of total balance	Bad debt provision at 31 December 2014
Meiguan Company	Advances	359,901,161.01	Within 1 year	48.84	-
Guishen Company	Loans	256,000,000.00	Within 1 year	34.74	-
Airport-Heao Eastern Company	Advances	95,079,384.43	Within 1 year	12.90	-
Qinglian Company	Loans	19,167,376.10	Within 1 year	2.60	-
Mei Wah Company	Advances	1,628,761.12	Within 1 year	0.22	-
<b>Total</b>	<b>/</b>	<b>731,776,682.66</b>	<b>/</b>	<b>99.30</b>	<b>-</b>

##### 3. Long-term receivables

Item	31 December 2014			31 December 2013		
	Carrying amount	Bad debt provision	Net book amount	Carrying amount	Bad debt provision	Net book amount
Loans to Qinglian Company	1,250,000,000.00	-	1,250,000,000.00	1,210,000,000.00	-	1,210,000,000.00
<b>Total</b>	<b>1,250,000,000.00</b>	<b>-</b>	<b>1,250,000,000.00</b>	<b>1,210,000,000.00</b>	<b>-</b>	<b>1,210,000,000.00</b>

##### 4. Long-term equity investments

Item	31 December 2014			31 December 2013		
	Carrying amount	Impairment	Net book value	Carrying amount	Impairment	Net book value
Subsidiaries	4,931,294,313.53	-	4,931,294,313.53	4,882,517,546.13	-	4,882,517,546.13
Joint ventures	158,764,459.37	-	158,764,459.37	183,996,250.12	-	183,996,250.12
Associates	1,536,726,112.97	-	1,536,726,112.97	1,390,218,121.12	-	1,390,218,121.12
<b>Total</b>	<b>6,626,784,885.87</b>	<b>-</b>	<b>6,626,784,885.87</b>	<b>6,456,731,917.37</b>	<b>-</b>	<b>6,456,731,917.37</b>

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

#### XIV. Notes to the Company's financial statements (Continued)

##### 4. Long-term equity investments (Continued)

###### (1). Subsidiaries

Investee	31 December 2013	Addition	Investment cost recovered	31 December 2014	Impairment	Cash dividend declared	Impairment provided in the current year
Airport-Heao Eastern Company	1,003,632,517.47	-	85,865,614.53	917,766,902.94	-	196,613,741.23	-
Meiguan Company	630,590,725.39	-	96,371,667.28	534,219,058.11	-	1,228,628,332.72	-
Advertising Company	3,325,000.01	-	-	3,325,000.01	-	11,517,997.64	-
Mei Wah Company	831,769,303.26	-	-	831,769,303.26	-	-	-
Qinglian Company	1,933,200,000.00	131,014,049.21	-	2,064,214,049.21	-	-	-
Outer Ring Company	100,000,000.00	-	-	100,000,000.00	-	-	-
Expressway Investment Company	380,000,000.00	-	-	380,000,000.00	-	-	-
Luyun Company	-	100,000,000.00	-	100,000,000.00	-	-	-
<b>Total</b>	<b>4,882,517,546.13</b>	<b>231,014,049.21</b>	<b>182,237,281.81</b>	<b>4,931,294,313.53</b>	-	<b>1,436,760,071.59</b>	-

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

As stated in Note V.25(2)(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.

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

The detailed information of joint ventures and associates are set out in Note V.9.

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

#### XIV. Notes to the Company's financial statements (Continued)

##### 5. Fixed assets

Item	Buildings	Traffic equipment	Motor vehicles	Office and other equipment	Total
<b>1. Cost</b>					
31 December 2013	402,087,751.20	584,886,867.03	16,708,231.45	38,569,150.24	1,042,251,999.92
Current year additions	1,885,093.00	52,252,192.09	386,000.00	1,613,351.18	56,136,636.27
- Purchase	-	18,189,436.77	386,000.00	1,613,351.18	20,188,787.95
- Transfer from construction in progress	1,885,093.00	34,062,755.32	-	-	35,947,848.32
Current year reductions	-	-	1,514,940.00	869,275.79	2,384,215.79
- Disposal	-	-	1,514,940.00	869,275.79	2,384,215.79
31 December 2014	403,972,844.20	637,139,059.12	15,579,291.45	39,313,225.63	1,096,004,420.40
<b>2. Accumulated depreciation</b>					
31 December 2013	103,028,448.35	336,305,023.37	13,800,587.77	31,725,166.17	484,859,225.66
Current year additions	14,371,357.08	48,817,550.27	748,252.75	2,093,519.03	66,030,679.13
- Addition	14,371,357.08	48,817,550.27	748,252.75	2,093,519.03	66,030,679.13
Current year reductions	-	-	1,439,193.00	819,854.19	2,259,047.19
- Disposal	-	-	1,439,193.00	819,854.19	2,259,047.19
31 December 2014	117,399,805.43	385,122,573.64	13,109,647.52	32,998,831.01	548,630,857.60
<b>3. Impairment</b>					
31 December 2013	-	-	-	-	-
31 December 2014	-	-	-	-	-
<b>4. Net book value</b>					
31 December 2014	286,573,038.77	252,016,485.48	2,469,643.93	6,314,394.62	547,373,562.80
31 December 2013	299,059,302.85	248,581,843.66	2,907,643.68	6,843,984.07	557,392,774.26

Fixed assets lacking certificates of ownership:

Item	Carrying amount	Reason for lacking certificates of ownership
Buildings	RMB184,107,194.21	As all toll roads and the affiliated buildings and structures would be returned to the government when the approved operating periods expire, the Company has no intention to acquire the related property ownership certificates.

In 2014, depreciation expenses amounting to RMB61,606,221.83 (2013: RMB59,308,419.79) and RMB4,424,457.30 (2013: RMB5,387,822.25) had been charged in costs of services and general and administrative expenses, respectively.

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

#### XIV. Notes to the Company's financial statements (Continued)

##### 6. Construction in progress

###### (1). General information of construction in progress

Name	31 December 2014			31 December 2013		
	Carrying amount	Impairment	Net book value	Carrying amount	Impairment	Net book value
Road monitoring projects	1,629,698.94	-	1,629,698.94	-	-	-
Duplex toll lane projects	1,566,877.32	-	1,566,877.32	-	-	-
Toll-by-weight projects	150,000.00	-	150,000.00	8,460,481.04	-	8,460,481.04
Toll lanes reconstruction projects	-	-	-	3,025,555.27	-	3,025,555.27
Integrated toll system projects	-	-	-	2,847,755.00	-	2,847,755.00
Others	8,814,825.29	-	8,814,825.29	8,337,628.79	-	8,337,628.79
<b>Total</b>	<b>12,161,401.55</b>	<b>-</b>	<b>12,161,401.55</b>	<b>22,671,420.10</b>	<b>-</b>	<b>22,671,420.10</b>

###### (2). Movement of significant construction in progress during the year

Item	Budget	31 December 2013	Current year additions	Transfer to fixed assets	Transfer to intangible assets	31 December 2014	% contribution in budget of current year	Progress of construction	Interests capitalised	Source of funds
Toll-by-weight projects	12 million	8,460,481.04	-	-8,310,481.04	-	150,000.00	-	In progress	-	Self-owned funds
Toll lanes reconstruction projects	3 million	3,025,555.27	-	-3,025,555.27	-	-	-	Completed	-	Self-owned funds
Integrated toll system projects	46 million	2,847,755.00	14,718,773.25	-17,171,971.54	-394,556.71	-	32.00	Completed	-	Self-owned funds
Road monitoring projects	2 million	-	1,629,698.94	-	-	1,629,698.94	81.48	In progress	-	Self-owned funds
Duplex toll lane projects	2 million	-	1,566,877.32	-	-	1,566,877.32	78.34	In progress	-	Self-owned funds
Resident projects for talents	5 million	-	1,885,093.00	-1,885,093.00	-	-	37.80	Completed	-	Self-owned funds
Others	*	8,337,628.79	6,031,943.97	-5,554,747.47	-	8,814,825.29	*	In progress	-	Self-owned funds
<b>Total</b>		<b>22,671,420.10</b>	<b>25,832,386.48</b>	<b>-35,947,848.32</b>	<b>-394,556.71</b>	<b>12,161,401.55</b>				

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

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

#### XIV. Notes to the Company's financial statements (Continued)

##### 7. Intangible assets

Item	Concession intangible assets				Office software	Total
	Nanguang Expressway	Yanba Expressway	Yanpai Expressway	Shenzhen Airport-Heao Expressway (Western Section)		
<b>1. Cost</b>						
31 December 2013	2,790,981,381.35	1,255,337,192.11	910,532,308.18	843,668,552.23	3,282,461.58	5,803,801,895.45
Current year additions	11,697,446.72	-	-	-	5,160,076.27	16,857,522.99
- Purchased	-	-	-	-	4,765,519.56	4,765,519.56
- Transfer from construction in progress	-	-	-	-	394,556.71	394,556.71
- Other additions	11,697,446.72	-	-	-	-	11,697,446.72
Current year reductions	-	-	-	150,869.98	-	150,869.98
- Disposal	-	-	-	150,869.98	-	150,869.98
31 December 2014	2,802,678,828.07	1,255,337,192.11	910,532,308.18	843,517,682.25	8,442,537.85	5,820,508,548.46
<b>2. Accumulated amortisation</b>						
31 December 2013	225,920,943.43	206,414,838.69	254,648,758.64	376,282,996.22	883,888.97	1,064,151,425.95
Current year additions	78,673,297.08	47,745,319.14	49,399,911.19	50,025,425.42	1,126,226.94	226,970,179.77
- Additions	78,673,297.08	47,745,319.14	49,399,911.19	50,025,425.42	1,126,226.94	226,970,179.77
Current year reductions	-	-	-	70,716.30	-	70,716.30
- Disposal	-	-	-	70,716.30	-	70,716.30
31 December 2014	304,594,240.51	254,160,157.83	304,048,669.83	426,237,705.34	2,010,115.91	1,291,050,889.42
<b>3. Impairment</b>						
31 December 2013	-	-	-	-	-	-
31 December 2014	-	-	-	-	-	-
<b>4. Net book value</b>						
31 December 2014	2,498,084,587.56	1,001,177,034.28	606,483,638.35	417,279,976.91	6,432,421.94	4,529,457,659.04
31 December 2013	2,565,060,437.92	1,048,922,353.42	655,883,549.54	467,385,556.01	2,398,572.61	4,739,650,469.50

In 2014 the amortisation of intangible assets amounting to RMB226,970,179.77 was charged into current year's income statement (2013: RMB 205,398,724.58).

##### 8. Accounts payable

The aging of accounts payable based on their recording dates is analysed as follows:

Aging	31 December 2014	31 December 2013
Within 1 year (including 1 year)	563,467.00	1,071,742.00
Over 1 year	28,789,924.40	47,176,775.62
<b>Total</b>	<b>29,353,391.40</b>	<b>48,248,517.62</b>

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

#### XIV. Notes to the Company's financial statements (Continued)

##### 9. Borrowings and bonds payable

Borrowings and bonds payables are analysed by repayment terms as follows:

	31 December 2014		31 December 2013	
	Borrowings	Bonds payable	Borrowings	Bonds payable
Wholly repayable within five years	100,000,000.00	3,299,997,000.00	1,172,563,200.00	2,300,000,000.00
Not wholly repayable within five years	-	800,000,000.00	565,000,000.00	800,000,000.00
<b>Total</b>	<b>100,000,000.00</b>	<b>4,099,997,000.00</b>	<b>1,737,563,200.00</b>	<b>3,100,000,000.00</b>

As at 31 December 2014, short-term borrowings amounting to RMB100,000,000.00 (31 December 2013: RMB100,000,000.00) of the Company are borrowed from Magerk Company, a subsidiary of the Company, in the form of entrusted loans.

##### 10. Provisions

	31 December 2013	Current year movement	31 December 2014
Provisions for maintenance/resurfacing obligations	301,283,116.66	-70,640,933.56	230,642,183.10
Less: Current portion	94,303,901.05	47,592,373.93	141,896,274.98
<b>Total</b>	<b>206,979,215.61</b>	<b>-118,233,307.49</b>	<b>88,745,908.12</b>

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

Item	31 December 2014		31 December 2013	
	Revenue	Cost	Revenue	Cost
Main businesses	1,162,400,569.97	462,472,880.85	1,029,443,252.92	418,521,773.10
Other businesses	300,253,662.82	147,719,649.17	154,239,993.86	39,574,549.34
<b>Total</b>	<b>1,462,654,232.79</b>	<b>610,192,530.02</b>	<b>1,183,683,246.78</b>	<b>458,096,322.44</b>

##### 12. Financial expenses

Item	31 December 2014	31 December 2013
Interest expense	196,260,112.53	230,144,871.98
Including: Interest expenses from borrowings	21,863,117.91	40,007,659.08
Interest expenses from bonds payable	174,396,994.62	207,105,232.92
Interest capitalised	-	-16,968,020.02
Time value of provision for maintenance/resurfacing obligations	7,202,706.36	24,502,875.48
Less: Interest income	10,832,082.75	17,497,138.96
Exchange (losses)/gains - net	-3,340,531.97	9,537,160.96
Others	259,394.45	625,918.29
<b>Total</b>	<b>196,230,662.56</b>	<b>228,239,365.83</b>



## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

#### XIV. Notes to the Company's financial statements (Continued)

##### 12. Financial expenses (Continued)

Interest expenses are analysed by the repayment terms of borrowings and bonds as follows:

	2014		2013	
	Bank borrowings	Bonds payable	Bank borrowings	Bonds payable
Borrowings and bonds wholly repayable within five years	21,863,117.91	174,396,994.62	4,757,954.08	207,105,232.92
Borrowings and bonds not wholly repayable within five years	-	-	35,249,705.00	-
<b>Total</b>	<b>21,863,117.91</b>	<b>174,396,994.62</b>	<b>40,007,659.08</b>	<b>207,105,232.92</b>

##### 13. Investment income

Item	2014	2013
Income from long-term equity investments under cost method	1,436,760,071.59	301,307,553.57
Income from long-term equity investments under equity method	187,042,277.71	185,676,580.93
<b>Total</b>	<b>1,623,802,349.30</b>	<b>486,984,134.50</b>

##### 14. Income tax expenses

###### (1). Classification of income tax expenses

Item	2014	2013
Current income tax	115,763,391.09	81,220,819.59
Deferred income tax	16,172,126.09	11,216,231.67
<b>Total</b>	<b>131,935,517.18</b>	<b>92,437,051.26</b>

###### (2). The reconciliation of income tax from profit before tax:

Item	2014	2013
Profit before tax	2,163,611,059.18	864,021,647.91
Income tax expenses calculated at applicable tax rate of 25% (2013: 25%)	540,902,764.80	216,005,411.98
Income not subject to tax	-410,063,331.11	-126,103,011.23
Expenses not deductible for tax purposes	1,096,083.49	2,824,804.35
Deduction of the amortisation of transaction costs of convertible bonds	-	-290,153.84
Income tax expenses	131,935,517.18	92,437,051.26

**Shenzhen Expressway Company Limited**

**Notes to financial statements**

**For the year ended 31 December 2014**

(All amounts in RMB unless otherwise stated)

**XIV. Notes to the Company's financial statements (Continued)**

**15. Others**

**(1). Net current assets**

	<b>Company</b>	
	31 December 2014	31 December 2013
Current assets	2,716,225,129.14	1,421,950,956.80
Less: Current liabilities	1,797,058,513.32	1,254,865,262.77
Net current assets	919,166,615.82	167,085,694.03

**(2). Total assets less current liabilities**

	<b>Company</b>	
	31 December 2014	31 December 2013
Total assets	15,779,523,590.09	14,524,393,916.72
Less: Current liabilities	1,797,058,513.32	1,254,865,262.77
Total assets less current liabilities	13,982,465,076.77	13,269,528,653.95

**Shenzhen Expressway Company Limited**

**Supplementary information**

**For the year ended 31 December 2014**

(All amounts in RMB unless otherwise stated)

**Supplementary Information**

- I. Detailed list of non-recurring profit or loss items**
- II. Return on net assets and earnings per share**
- III. Supplementary information to changes in accounting policies**

## Shenzhen Expressway Company Limited

### Supplementary information

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

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

	Amount	Note
Gains on disposal of related assets of Toll Free Section of Meiguan Expressway	1,496,009,613.02	
Interest income from the Compensation resulted from the toll adjustment of Meiguan Expressway	90,163,340.16	
The amortisation of compensation provided by concession grantor	20,252,709.25	The amortisation of compensation to Yanpai and Yanba Expressway provided by concession grantors recognised in current year according to traffic volume method which disclosed as a deduction of the amortisation of the related concession intangible assets
Profits from entrusted management services	17,148,433.34	Mainly represents profits from entrusted management services provided to Longda Company in current year.
Other profit or loss items that meet the definition of non-recurring profit or loss	12,337,900.97	
Impact of income tax	-413,033,618.85	
Impact of minority interests (after tax)	62,015.96	
<b>Total</b>	<b>1,222,940,393.85</b>	

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

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

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

Profits of reporting period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary owners of the Company	20.14	1.003	1.003
Net profit after deducting non-recurring profit or loss attributable to ordinary owners of the Company	8.88	0.442	0.442

#### III. Supplementary information to changes in accounting policies

The Group changed accounting policies and restated its comparative financial statements according to the eight accounting standards such as 'Accounting Standards for Enterprises No. 2 – Long-term equity investment' issued by Ministry of Finance in 2014 (pls refer to Note III.27(1)). The consolidated balance sheets as at 1 January 2013 has also been restated.