



# SHENZHEN EXPRESSWAY COMPANY LIMITED

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



2015  
Annual Report





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



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

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

# Definition and Cautionary Statement

## I. Definition

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

Reporting Period, Period, Year	For the twelve months ended 31 December 2015.
Reporting Date	The date on which Annual Report 2015 of the Company is approved by the Board, i.e. 18 March 2016.
YOY	Year-on-year change rate as compared to the same period of 2014.
The Company, Shenzhen Expressway	Shenzhen Expressway Company Limited.
The Group	The Company and its consolidated subsidiaries.
A Shares	Renminbi-denominated ordinary shares of the Company which were issued in the PRC and subscribed in RMB and are listed on SSE.
H Shares	Overseas-listed foreign shares of the Company which were issued in Hong Kong and subscribed in HK\$ and are listed on HKEx.
CSRC	China Securities Regulatory Commission.
SFC	Securities and Futures Commission of Hong Kong.
SSE	The Shanghai Stock Exchange.
HKEx	The Stock Exchange of Hong Kong Limited.
Listing Rules	The Rules Governing the Listing of Securities on HKEx and/or the Rules Governing the Listing of Stocks on SSE (as the case may be).
CASBE	The Accounting Standards for Business Enterprises (2006) of the PRC and the specific accounting standards as well as relevant provisions issued later.
Shenzhen SASAC	深圳市人民政府國有資產監督管理委員會(State-owned Assets Supervision and Administration Commission of Shenzhen Municipal People's Government).
Transport Commission	深圳市交通運輸委員會 (The Transport Commission of Shenzhen Municipality).
SIHCL	深圳市投資控股有限公司 (Shenzhen Investment Holdings Company Limited).
Shenzhen International	Shenzhen International Holdings Limited.
XTC Company	新通產實業開發(深圳)有限公司 (Xin Tong Chan Development (Shenzhen) Company Limited), formerly known as 深圳市高速公路開發公司 (Shenzhen Freeway Development Company Limited).
SGH Company	深圳市深廣惠公路開發總公司 (Shenzhen Shen Guang Hui Highway Development Company).

CM Huajian	招商局華建公路投資有限公司 (China Merchants Hua Jian Highway Investment Co., Ltd.), formerly known as 華建交通經濟開發中心 (Huajian Transportation and Economic Development Centre).
GDRB Company	廣東省路橋建設發展有限公司 (Guangdong Roads and Bridges Construction Development Company Limited).
Shenzhen International (Shenzhen)	深國際控股(深圳)有限公司 (Shenzhen International Holdings (SZ) Limited), formerly known as 怡萬實業發展(深圳)有限公司 (Yiwan Industry Development (Shenzhen) Company Limited).
Three Projects	Nanguang Expressway, Yanpai Expressway and Yanba Expressway. On November 30, 2015, the Company entered into the Three Expressways Agreement with the Transport Commission.
Bank of Guizhou	Guizhou Bank Corporation Limited.
Longda Company	深圳龍大高速公路有限公司 (Shenzhen Longda Expressway Company Limited).
Coastal Company	深圳市廣深沿江高速公路投資有限公司 (Shenzhen Guangshen Coastal Expressway Investment Company Limited).
Meiguan Expressway	The expressway from Meilin to Guanlan in Shenzhen City. The <b>Toll Free Section of Meiguan Expressway</b> refers to the section from Meilin to Guanlan with a mileage of approximately 13.8 km, which has been toll-free from 24:00 on 31 March 2014. The <b>Toll Section of Meiguan Expressway</b> refers to the section from Shenzhen-Dongguan border to Guanlan with a mileage of approximately 5.4 km which remains collection of toll.
Jihe Expressway	The expressway from Shenzhen International Airport to He'ao in Shenzhen City, comprising <b>Jihe East</b> (Qinghu to He'ao) and <b>Jihe West</b> (Airport to Qinghu).
Yanba Expressway	The expressway from Yantian to Bagang in Shenzhen City, comprising <b>Yanba A</b> (Yantian to Xichong), <b>Yanba B</b> (Xichong to Kuichong) and <b>Yanba C</b> (Kuichong to Bagang).
Yanpai Expressway	The expressway from Yantian to Paibang in Shenzhen City, also referred to as Yantian Subsidiary Road of Jihe Expressway.
Nanguang Expressway	The expressway from Xili to Gongming in Shenzhen City.
Shuiguan Expressway	The expressway from Shuijingcun to Guanjintou in Shenzhen City.
Shuiguan Extension	An extension to Shuiguan Expressway, Phase I of <b>Qingping Expressway</b> (the expressway from Yulongkeng to Pinghu in Shenzhen City).
Outer Ring Project	The project of Shenzhen section of Outer Ring Expressway in Shenzhen City ( <b>Outer Ring Expressway</b> ), among which, the section from the north side of Shenzhen Waterlands Resort in Bao'an District (connecting with Coastal Expressway) to the interchange of Shenshan Expressway in Longgang District (excluding Dongguan section) referred to as <b>Section A of Outer Ring</b> .

## Definition and Cautionary Statement

Coastal Expressway (Shenzhen Section)	The section from Nanshan, Shenzhen to Dongbao River (the boundary between Dongguan and Shenzhen) of the costal expressway from Guangzhou to Shenzhen ( <b>Coastal Expressway</b> ).
Longda Expressway	The expressway from Longhua, Shenzhen to Dalingshan, Dongguan.
Qinglian Project	<b>Qinglian Expressway, Qinglian Class 1 Highway, Qinglian Class 2 Road</b> (also referred to as National Highway 107 Qinglian Section) and/or the reconstruction into an expressway for Qinglian Class 1 Highway from Qingyuan to Lianzhou, as the case may be.
Yangmao Expressway	The expressway from Yangjiang to Maoming.
Guangwu Project	The section from Ma'an to Hekou of the expressway from Guangzhou, Guangdong to Wuzhou, Guangxi ( <b>Guangwu Expressway</b> ).
Jiangzhong Project	The expressway from Zhongshan to Jiangmen and the second phase of the expressway from Jiangmen to Heshan.
GZ W2 Expressway	The section from Xiaotang to Maoshan of Guangzhou Ring Expressway, also referred to as Guangzhou Western Second Ring Expressway.
Wuhuang Expressway	The expressway from Wuhan to Huangshi.
Changsha Ring Road	Changsha Ring Expressway (Northwestern Section).
Nanjing Third Bridge	Nanjing Yangtze River Third Bridge.
Longda Project	The entrusted management of 89.93% equity interests in Longda Company by the Company, including the daily operation management of Longda Expressway.
Nanping Project	The management of the construction project of Shenzhen Nanping Freeway undertaken by the Company, including <b>Nanping Phase I</b> and <b>Nanping Phase II</b> (comprising section A and section B).
Coastal Project	The entrusted management of Coastal Company undertaken by the Company, including the management of Coastal Expressway (Shenzhen Section) during the construction period and operation period. Among which, the project of main line of Coastal Expressway (Shenzhen Section) and facilities referred to as <b>Coastal Phase I</b> , and the project of the ramp bridge of airport interchange of Coastal Expressway (Shenzhen Section) and facilities referred to as <b>Coastal Phase II</b> .
Longda Municipal Section	The management of the construction project of the municipal facilities of Dalang Section of Longda Expressway undertaken by the Company.
Dezheng Road Project	The management of the construction project of interchange connecting Dezheng Road and Longda Expressway and the east extension of Dezheng Road which located in Shenzhen Longhua New Area undertaken by the Company.

New Toll Station of Meiguan and Facilities Project	The management of construction project of main line toll station of Meiguan Expressway, ramp toll stations on Qinghu Interchange and corresponding facilities Project undertaken by the Company.
Guilong Project	The construction project of phase I of Guilong Road in Longli, Guizhou by BT mode and the primary development project of relevant land undertaken by the Group.
Resettlement Project	The management of the construction project of Wangguan Comprehensive Resettlement Building of Guilong Economic Zone undertaken by the Group in Longli, Guizhou, comprising <b>Resettlement phase I</b> and <b>Resettlement phase II</b> .
Guilong Land	The peripheral land of Guilong Project which were successfully bid by the Group. As at the Reporting Date, the area of the land was approximately 2,310 mu (approximately 1,540,000 square meters).
Guilong Development Project	The further property development project of the Guilong Land with an area of 300 mu (approximately 200,000 square meters) conducted by the Group.
Meilin Checkpoint Urban Renewal Project	Shenzhen Longhua New Area Mingzhi Office Meilin Checkpoint Urban Renewal Project, the entity of which is United Land Company and the land of which is approximately 96,000 square meters.
BT (mode)	Build-Transfer mode, refer to a kind of financing mode for non operating infrastructure construction projects by government using non-governmental funds, is also used to describe the process of project operation that the project be handed over to the owners upon general contracting, financing, construction acceptance by project company, and the owners pay the project total investment plus a reasonable return to investors.
PPP (mode)	Public-Private-Partnership mode, refer to a partnership on the basis of concession agreement for the construction of urban infrastructure projects or the provision of public goods and services between the government and private organizations. PPP mode ultimately makes both parties of the cooperation get more 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.
Green Passage Toll Free Policy	The policy to waive the toll fees for the vehicles used for legal transportation of fresh agricultural products. Since December 2010. Such policy must be implemented in all expressway projects in PRC.
Standardisation Scheme	The scheme that toll fees of the expressways in Guangdong Province, starting from 1 June 2012, be standardised based on the unified toll rate, toll coefficient, calculating method for ramps and rounding principles, and include subsequent adjustment made for the increase of the toll fees as a result of the implementation of aforesaid scheme.

## Definition and Cautionary Statement

Toll Free Scheme on Holidays	The policy that the toll fees of toll highways for passenger cars with seven seats or less be waived during the periods of four national holidays, i.e. Spring Festival, Tomb Sweeping Day, Labor Day and National Day, and their consecutive days off. Such policy has been implemented in PRC since the second half of 2012.
PRC	The People's Republic of China excluding, for the purpose of this report, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan.

Note:

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

### II. Cautionary Statement on Risk

Policy environment has a greater effect on the development of toll highway industry. Meanwhile, there would be attraction or diversion impact on the highways caused by the improvement of or change in the road network for certain period. Such uncertainty brings pressure and challenges to the company's operation and management. The Group will continue to adhere to the idea of sound operation, making great efforts to increase income and reduce expenditure, and adjusting the management strategy timely to adapt to the changes in operating environment and do our best to reduce the negative impact.

Detailed analysis and description on the risks faced in future operation and development of the Group were set out in "Management Discussion and Analysis" of this annual report. Investors' inspection and attention are reminded.



## Introduction of the Company

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

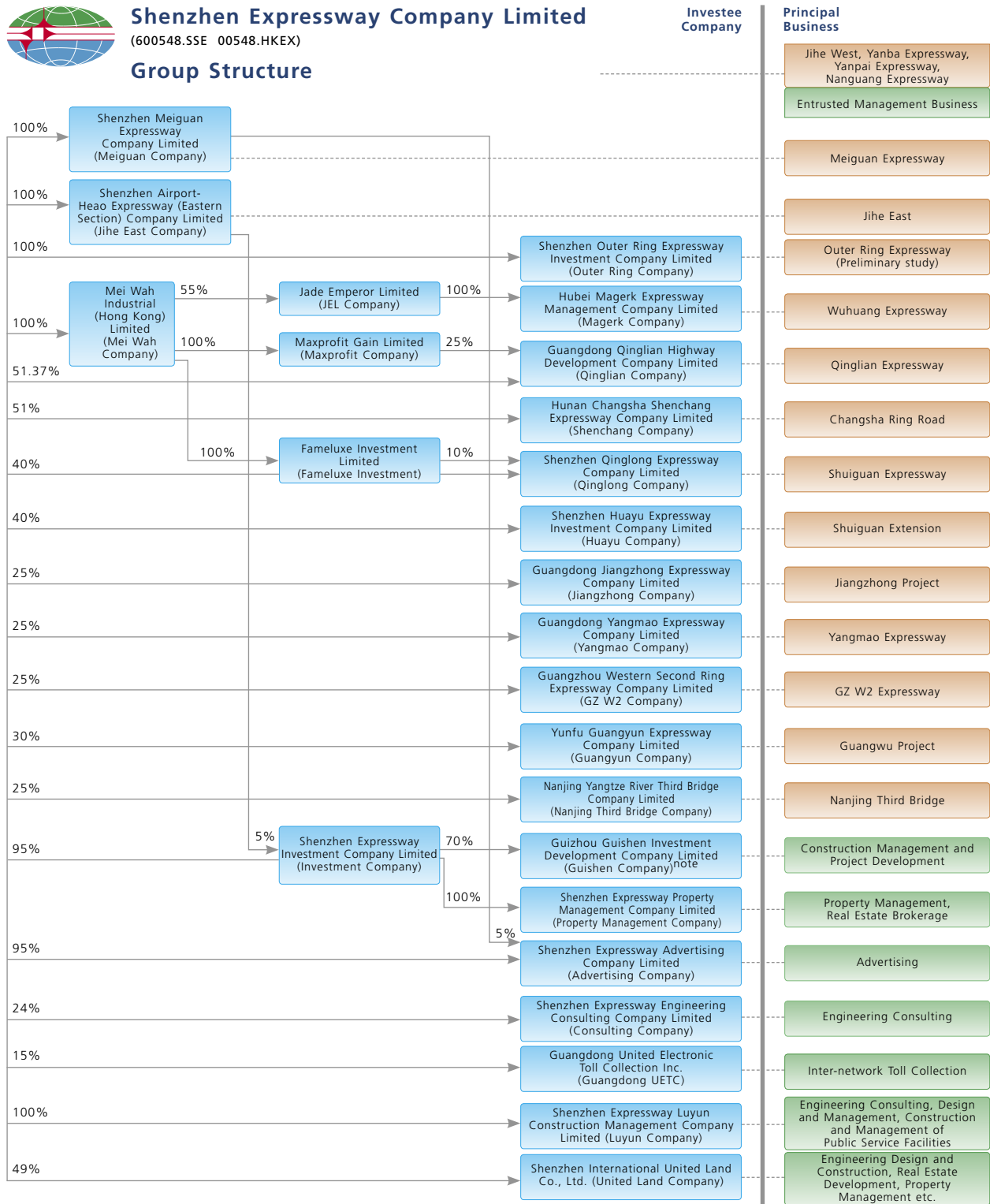
A total of 2,180,770,326 ordinary shares are issued by the Company, of which 1,433,270,326 A Shares are listed on SSE and 747,500,000 H Shares are listed on HKEx, representing approximately 65.72% and 34.28% of the total share capital of the Company respectively. XTC Company, one of the promoters of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

As at the end of the Reporting Period, the Company operated and invested in a total of 16 toll highway projects, and the mileage of the highways invested by the Company (on equity basis) is approximately 416km. In addition, the Company provides outstanding construction management and operation management services for government and other enterprises. Building on relevant management experience and resources and relying on the core business of toll highways, the Company has launched the businesses related to project development and management, advertising, construction consulting, and inter-network toll collection.



# Introduction of the Company

As at 31 December 2015, the Group's investee companies (including their abbreviations) and business structure are as follows:



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

Orange box: Toll Highway Business  
 Green box: Other Businesses

# Financial and Operational Highlights

## I. Financial Data and Financial Indicators of the Year

Item (Unit: RMB)	2015	2014	Change as compared to last year (%)	2013 <sup>Note</sup>
Revenue	<b>3,420,578,335.19</b>	3,620,357,480.08	-5.52	3,279,281,057.26
Net profit attributable to owners of the Company	<b>1,552,656,397.24</b>	2,186,883,365.49	-29.0	719,691,617.00
Net profit attributable to owners of the Company – excluding non-recurring items	<b>527,396,785.06</b>	963,942,971.64	-45.29	828,414,277.54
Net cash flows from operating activities	<b>1,771,505,130.32</b>	1,793,755,282.29	-1.24	1,761,224,786.28

Item (Unit: RMB)	As at 31 Dec 2015	As at 31 Dec 2014	Change as compared to the end of last year (%)	As at 31 Dec 2013
Owners' equity attributable to owners of the Company	<b>12,368,892,973.17</b>	11,797,581,861.32	4.84	9,974,420,429.05
Total assets	<b>31,670,655,088.41</b>	24,329,324,209.02	30.17	22,840,107,479.91

Item	2015	2014	Change as compared to last year (%)	2013 <sup>Note</sup>
Earnings per share – basic (RMB)	<b>0.712</b>	1.003	-29.0	0.330
Earnings per share – diluted (RMB)	<b>0.712</b>	1.003	-29.0	0.330
Earnings per share excluding non-recurring items – basic (RMB)	<b>0.242</b>	0.442	-45.29	0.380
Return on equity – weighted average (%)	<b>12.94%</b>	20.14%	Decrease 7.20 pct.pt	7.40%
Return on equity excluding non-recurring items – weighted average (%)	<b>4.39%</b>	8.88%	Decrease 4.49 pct.pt	8.51%

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. Each of the financial data contained in this table as at the end of year of 2013 remained unchanged in the adjustment.

## Financial and Operational Highlights

### II. Financial Data of the quarter mainly for 2015

Item (Unit: RMB)	The first quarter (Jan-Mar)	The second quarter (Apr-Jun)	The third quarter (Jul-Sept)	The fourth quarter (Oct-Dec)
Revenue	739,317,826.20	760,300,156.24	938,664,445.20	982,295,907.55
Net profit attributable to owners of the Company	255,829,315.71	283,129,458.72	313,964,036.19	699,733,586.62
Net profit attributable to owners of the Company – excluding non-recurring items	228,809,082.00	255,649,985.37	291,936,392.70	-248,998,675.01
Net cash flows from operating activities	-29,143,445.98	428,532,258.13	578,460,808.81	793,655,509.36

### III. Non-recurring items deducted and their amounts

Non-recurring item (Unit: RMB)	2015	Notes	2014	2013
Profit from entrusted operation management services	<b>17,778,666.66</b>	Mainly for the entrusted management Longda Company entrusted management profits this year.	17,148,433.34	16,990,200.00
The amortisation of compensation provided by concession grantor	<b>19,010,445.80</b>	This year confirmed the concession granting party received were sent to the company building Yanba, Yanpai etc. post compensation amortization in accordance with traffic laws. On the accounting write-downs showed franchise amortization of intangible assets.	20,252,709.25	16,394,108.60
The gain/(loss) on disposal of assets – Loss resulted from disposal of Qinglian Class 2 Road	–			-241,244,535.65
The gain/(loss) on disposal of assets – Profit from disposal of free section of Meiguan Expressway	–		1,496,009,613.02	
Adjustments three projects related to compensation of interest income	<b>12,019,232.87</b>			
The interest income from the compensation receivables of toll collection adjustment of Meiguan Expressway	<b>72,470,804.21</b>		90,163,340.16	–
Not merge under the same control part according to the fair value measurement of original shareholding profits	<b>904,017,332.82</b>	This year the Qinglong Company and Consulting Company by enterprise merger under the same control within the scope of the purchase group, before the date of equity holdings to re measure the fair value of profits.	–	–
Other non-operating income and expenses	<b>36,960,320.11</b>		12,337,900.97	2,608,984.04
Effect on minority interests	<b>-2,402,082.54</b>		62,015.96	42,740,678.54
Income tax effect	<b>-34,595,107.75</b>		-413,033,618.85	53,787,903.93
<b>Total</b>	<b>1,025,259,612.18</b>		1,222,940,393.85	-108,722,660.54

#### IV. Statistics Summary for Last Five Years

Project	Average Daily Traffic Volume (Unit: number of vehicles)				
	2015	2014	2013	2012	2011
Meiguan Expressway <sup>Note</sup>	<b>74,956</b>	84,622	129,769	124,921	118,976
Jihe East	<b>219,169</b>	189,586	149,896	128,414	118,215
Jihe West	<b>175,533</b>	149,921	123,343	106,564	99,390
Yanba Expressway	<b>36,600</b>	35,602	31,260	28,563	27,610
Yanpai Expressway	<b>56,999</b>	57,370	50,188	41,473	38,501
Nanguang Expressway	<b>96,405</b>	86,829	75,029	58,715	55,995
Shuiguan Expressway	<b>191,354</b>	168,728	155,477	138,285	124,714
Shuiguan Extension	<b>75,377</b>	61,655	39,119	29,331	31,941
Qinglian Expressway	<b>33,290</b>	33,026	28,344	22,827	21,445
Yangmao Expressway	<b>40,485</b>	34,935	31,481	26,978	23,477
Guangwu Project	<b>34,792</b>	31,935	27,177	25,339	23,089
Jiangzhong Project	<b>107,246</b>	101,183	89,467	90,556	90,270
GZ W2 Expressway	<b>50,007</b>	46,205	42,175	34,796	33,493
Wuhuang Expressway	<b>40,617</b>	38,891	39,127	39,712	37,856
Changsha Ring Road	<b>19,798</b>	16,188	14,015	13,206	9,516
Nanjing Third Bridge	<b>26,777</b>	27,665	29,312	24,680	23,293

Project	Average Daily Toll Revenue (Unit: RMB'000)				
	2015	2014	2013	2012	2011
Meiguan Expressway <sup>Note</sup>	<b>282.9</b>	413.6	803.1	875.6	943.2
Jihe East	<b>1,745.1</b>	1,614.6	1,328.8	1,239.9	1,407.1
Jihe West	<b>1,491.0</b>	1,267.6	1,048.2	1,079.8	1,229.9
Yanba Expressway	<b>473.0</b>	493.2	444.1	387.4	369.3
Yanpai Expressway	<b>441.7</b>	584.2	541.0	514.0	463.8
Nanguang Expressway	<b>879.8</b>	839.7	787.2	628.8	589.0
Shuiguan Expressway	<b>1,537.3</b>	1,385.6	1,297.7	1,204.5	1,122.0
Shuiguan Extension	<b>253.7</b>	230.8	176.1	155.5	196.7
Qinglian Expressway	<b>1,745.7</b>	2,136.3	1,948.1	1,460.6	1,280.4
Yangmao Expressway	<b>1,694.7</b>	1,551.8	1,469.2	1,326.2	1,209.4
Guangwu Project	<b>893.9</b>	802.0	718.5	681.3	644.4
Jiangzhong Project	<b>1,066.6</b>	1,019.2	924.1	931.6	972.4
GZ W2 Expressway	<b>990.3</b>	917.2	824.8	713.0	740.0
Wuhuang Expressway	<b>908.5</b>	891.0	1,040.4	1,170.4	1,146.2
Changsha Ring Road	<b>222.8</b>	167.9	143.6	119.4	86.3
Nanjing Third Bridge	<b>1,040.5</b>	1,093.5	1,169.5	894.7	828.6

Note: Toll-free for Meilin to Guanlan section of Meiguan Expressway with a mileage of approximately 13.8 km was implemented from 1 April 2014, and the toll for section from Shenzhen-Dongguan border to Guanlan with a mileage of approximately 5.4 km remained.

## Financial and Operational Highlights

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

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

### ◆ Description on the restatement

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

### ◆ Description of principal financial ratios

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

## Events of the Year

January

Re-elected of the seventh session of the board of directors and the supervisory committee. Mr. Hu Wei is the chairman of the board.

March

Published 2014 annual results and a net profit of RMB2.2billion with earnings per share of RMB1.003 was recorded.

April

Shortlisted for the Investors' Most Respected Listed Companies 2014.



May

Announced the dividend for the year 2014 with a final dividend of RMB0.45 per share.

June

The road projects in Guangdong Province and Hubei Province were achieved the target of the nationwide inter-network toll collection as planned.

"2015-2019 Development Strategies" has been considered and approved by the Board.

The invested company – United Land Company obtained the land use rights of Meilin Checkpoint Renewal Project.

Ranked 3rd of "Internal Control Index of China-Listed Companies (2014)".

July

Consulting Company became a subsidiary of the Company and its financial statement has been consolidated into those of the Company.

August

Successfully issued a three-year medium-term note of RMB900 million.

Completed the reappointment and appointment of the senior management.

October

Completed the acquisition of additional 10% equity interests in Qinglong Company. Qinglong Company became a subsidiary of the Company and its financial statement has been consolidated into those of the Company.

November

Entered into the agreement with Shenzhen government on the toll adjustment and compensation arrangements regarding Nanguang Expressway, Yanpai Expressway and Yanba Expressway.

Won the Gold Award of the Hong Kong Institute of CPAs "Best Corporate Governance Disclosure Awards 2015".

December

Resettlement Phase II (entrusted construction project) was completed.

Subscribed for 382,000,000 shares of Bank of Guizhou and it's expected to account for 4.15% of its total share capital.

Won "the Most Respected Listed Companies Finalists 2015".

Best Corporate Governance Disclosure Award  
最佳企業管治資料披露大獎2015



# Chairman's Statement

To all shareholders,

On behalf of the Board, I am pleased to report to the shareholders that in 2015, the Group recorded revenue of RMB3,421 million, representing a YOY decrease of 5.52%, and realised profit of RMB1,553 million with earnings per share of RMB0.712. The Group has always committed itself to creating higher corporate value and has actively implemented the profit distribution policy of cash dividend which can balance the long term and short term interests of its investors, at the same time providing promising and sustainable returns to its shareholders. The Board recommended payment of a final cash dividend of RMB0.34 per share for 2015, amounting to 47.8% of earnings per share. Such recommendation will be submitted to the 2015 Annual General Meeting of the Company and is subject to the shareholders' approval.

## Business Review

In 2015, the staff of Shenzhen Expressway has marched forward with courage regardless of any hardship.

After over thirty years of rapid growth, the Chinese economy has hit the era of mid-and-high-speed growth and the economic development has entered into the "New Normal" phase. The foundation of the domestic economic development is still positive, which contributed to further quality growth and provided great potentials for the long-term development of the Group. However, the downside pressure of the economy has objectively suppressed the growth of transportation demand. Meanwhile, changes in peripheral road network have created diversion effects on certain projects, bringing challenges to the operation of the Group. During the last year, Shenzhen Expressway has adhered to the concept of stable operation by brainstorming together and working with joint efforts to accomplish the annual management goals with better results.

In 2015, the Shenzhen government intended to adjust the toll of various expressways, which included Nanguang Expressway, Yanpai Expressway and Yanba Expressway of the Company. To avoid any material adverse effect on the stability and sustainable development of the Group's operation, the Group had actively negotiated with the relevant government authorities with







**HU WEI**  
Chairman

innovative minds, and eventually the implementation of the toll-free policy for the above projects was carried out in two phases (of which, the government adopted the model of “payment for service” for phase 1), and the Shenzhen government will make cash compensation to the Company according to the corresponding adjustments. The Company has received the first instalment of compensation on schedule, which significantly increased its cash flow, thereby laying a solid foundation for the Company to implement the next round of strategy.

The macro-economic growth has slowed down in 2015. The highway projects operated and invested by the Group were able to maintain their growth momentum in general, but the growth rate was weaker as compared to last year, which was basically in line with the trend of the macro-economy. During the Year, leveraging its advantages, the Group proactively led and participated in the formulation and assessment of relevant technological standards, management systems and shift plans of Guangdong provincial and nation-wide inter-network toll collection of highways. Also, in combination with the actual optimisation proposal of the Company, it has upgraded the relevant software and hardware on schedule, so as to effectively improve the overall traffic flow of the road network. Meanwhile, the Group actively commenced its toll management work and implemented targeted marketing and promotional measures by fully utilising the province-wide traffic flow data of road networks to upgrade the operational performance of the roads. In 2015, the Group realised toll revenue of RMB3.014 billion, reaching the operation target set at the beginning of the Year.

## Chairman's Statement

For construction management, the Group attached great importance to the management of engineering technique and design and actively pushed forward the standardisation of engineering design. It also improved tender management and effectively controlled the quality, pricing, safety and schedule of construction through standardised and meticulous contract management. Under the tight schedule with arduous tasks and requirements, the management teams completed New Toll Station of Meiguan and Facilities Project as planned in accordance with the specifications required. Projects such as Longda Municipal Section, Guanlan Renmin Road – Meiguan Expressway Joints Project and Resettlement Project Phase II in Guizhou regions were also carried out smoothly. During the Year, the Group also proactively pushed forward the preliminary works of Coastal Phase II, the organisation of the construction works of Outer Ring Project, the settlement and audit work of Coastal Phase I and Nanping Phase II. The overall results were greatly satisfying.

In 2015, after taking into account the prevailing circumstances, the Group stepped up its efforts in research of various financial policies and instruments to bring down the financial costs while reasonably allocating the financial resources according to its actual conditions and capital requirements. During the Year, the Company issued medium-term notes of RMB0.9 billion, established a platform for domestic and overseas financing, strengthened the funding management within the Group and continued to optimise the debt structure so as to exercise effective control over the consolidated capital costs and enhance the investment capabilities. The Group has also maintained good relationships with other banks and enterprises, abundant reserve of credit facilities from banks and high credit ratings. International entity ratings acquired during the year included Baa2 from Moody's (Outlook: Stable), BBB from Standard & Poor's (Outlook: Stable) and BBB from Fitch (Outlook: Stable), which has ensured the soundness of the financial structure and the financial safety of the Group.



The “2015-2019 Development Strategies” of the Company suggested the consolidation and strengthening of the core business of toll highway. During the Year, the Group acquired effective control over Shuiguan Expressway and Consulting Company through the acquisition of 10% additional equity interest in Shuiguan Expressway and the amendment of the articles of association of Consulting Company. The above measures help strengthening the scale of toll highway business and profitability foundation of the Group, thus pushing forward the Group’s consistent and synergistic management over highway projects in Shenzhen regions. Furthermore, it also enables the Group to obtain the qualification of, and service competence in undertaking the consultancy service of the entire process of project investment and construction. This will effectively consolidate our resources and thus solidify and strengthen the core advantages of the Company in toll highway business.

### Opportunities, Challenges and Strategies

With the promotion and implementation of a series of government policies and measures such as stabilising economic growth, restructuring, promoting reform, benefiting the people and preventing risks, the Chinese economy will still have the momentum and potential of sustaining mid-and-high-speed growth and therefore will be embodying better quality, higher stability and become more sustainable. As economic development is the key factor to determine the growth of transportation demand, we are confident that there will be huge development potential and a myriad of opportunities in highway industry. In terms of industry policy, transportation still plays an important role in supporting domestic economic development. Therefore, in the foreseeable future, there will not be material changes in China’s policies regarding construction of transportation infrastructure. The Ministry of Transport has also expressly included “Road Users to Pay” and “Encouraging Social Capital Investment” in the four principles of toll highway reform. This has provided a sound foundation in the policy for the healthy development of the toll highway industry.



## Chairman's Statement

Nonetheless, the toll highway industry will still face a number of challenges. With the continuous increase in the land expropriation and resettlement costs and labour costs, the construction costs of toll highways increased accordingly. Besides, higher standards for safety control facilities, environmental protection and road conditions also resulted in further increase of maintenance and daily operation costs. Furthermore, taking account of the development as a whole, the government may implement regional adjustments in road network planning or traffic organisation, or even request for early repurchase of the interests in toll highways. This will exert certain impacts to the short-term profit and sources of long-term profit of highway projects. In terms of the overall trend, toll highway industry, especially the newly-constructed toll highway projects, is experiencing declining investment return or the lack of commercial investment value under the traditional model of investment and financing mechanism.

In order to maintain sustainable development of infrastructure and resolve the dilemma between funding requirements and declining investment returns of construction, the related parties are actively exploring the corresponding business models and investment and financing mechanisms to achieve a win-win situation by taking into consideration the interests of all parties. In 2015, the government launched a series of regulatory documents in relation to the concession of infrastructure and utilities and governmental and social capital cooperation, aiming at encouraging and guiding social capital to take part in the investment and operation of infrastructure through PPP Model, thereby making full use of the respective advantages of the government and enterprises so that they will complement each other by hiding weaknesses and enhancing strengths and thus providing quality service to the public in the most cost-effective way. As there are no fixed business models under PPP Model, it imposes higher requirements for innovation capabilities of business models in the field of corporate investment and financing. In 2016, the Group reached an agreement with the Shenzhen government on matters regarding the investment, construction and management of Section A of Outer Ring based on PPP Model. This is a milestone in the Group's PPP operation model which demonstrates the Group's core advantages in the toll highway business.

Over the years, the Group has upheld the market-oriented approach and accumulated abundant experience in project construction, maintenance and operation management, which has become the Group's core competitive advantages. Looking forward, the Group will further consolidate its resources and continue to strengthen and enhance its capability in providing comprehensive solutions for investment and financing, construction and operation management. We believe that the deepening reform of the investment and financing mechanism for infrastructure and utilities as well as ongoing urbanisation will create more business opportunities for the Group. After choosing the appropriate business model, the Group will effectively and fully integrate the model with its corporate resources, thereby ultimately realising the commercial values and thus sustainable development of the company.

In the long term future, toll highway will still be the core business and profit source of the Group. However, as the operation period of toll highway is limited, declining investment returns of toll highway projects is a problem that we have to deal with. To this end, the Group has set the exploration of new industries as a highlight in its new round of development strategies. After contacting and studying with the industry leaders and the promotion of a series of work, the Group has set the “construction and operation service provider of urban and transport infrastructure” as its main business direction. The Group will focus on the environmental protection industry as its main direction of new industries, such as environmental water treatment and solid waste treatment, and moderately expand into the financial industry so as to realise the combination between industry and finance. The Group will capture the opportunities of market development for infrastructure construction. Leveraging its existing resources and core competitiveness, the Group will actively explore and implement new industrial investment by making full use of its innovative capability of business models in investment and financing fields and by gathering and integrating its resources, thereby ultimately realising healthy development of the Company in the long run and enhancing its value for the shareholders.

In 2016, the staff of Shenzhen Expressway will work with concerted efforts to make our dreams come true!

### Acknowledgements

A bird cannot soar into the sky using only one feather, and a horse cannot gallop using only one hoof. Shenzhen Expressway will be celebrating its 20th anniversary in 2016 and all of its achievements over the past two decades are attributable to the continued support of all investors, customers, business partners and friends of the community, as well as the hard work of the directors, the management and all staff members. I would like to take this opportunity to express my sincere gratitude to everyone that has contributed to the success of Shenzhen Expressway!

**HU Wei**

*Chairman*

Shenzhen, the PRC, 18 March 2016

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# Management Discussion and Analysis



**WU YA DE**  
President

## I. 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 its core business of toll highway, the Group has launched businesses such as project development and management, advertising, project consultation, and inter-network toll collection. The principal business structure of the Group are set out as follows:





In 2015, 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 Reporting Period, the Group recorded revenue of approximately RMB3,421,000,000, representing a YOY decrease of 5.52%, of which toll revenue of approximately RMB3,014,000,000, entrusted management services revenue of approximately RMB95,000,000, engineering consulting services revenue of approximately RMB191,000,000, advertising and other business revenue of approximately RMB121,000,000, accounted for 88.12%, 2.77%, 5.60% and 3.51% of the total revenue of the Group respectively.

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

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

#### **(1) Operating environment**

In 2015, during the transformation of the Chinese economy which witnessed the continuous optimisation of industrial structure, acceleration of the reform of traditional industries and promotion of new economic development, there was significant downside pressure on the economy. The GDP of the PRC recorded a YOY growth of 6.9% with the growth rate decreased by 0.4% as compared to last year. During the year, Guangdong Province and Shenzhen City recorded YOY growths of 8.0% and 8.9% in their regional GDPs respectively, slightly above the national average. The economic growth was relatively stable and conducive to the general growth of the regional transportation and logistics demand via highway. During 2015, the container throughput at Shenzhen ports reached a YOY growth of 0.7%, of which the container throughput of Yantian Port maintained a YOY growth of approximately 4.2%, facilitating the growth of the total traffic volume of lorries in the road network of Shenzhen region in a more effective manner. In addition, driven by the active adjustment of industrial structure policy in recent years, Guangdong Province recorded a significant growth in consumption in 2015. The total retail sales of social consumer goods for the year was RMB3.1 trillion with a YOY growth of 10.1%, which is the first time exceeded RMB3 trillion. Source of data: Governmental statistics information website.

Under the combined effect of various factors in the macro and regional economic environment, most of our toll highway projects maintained relatively stable operating performance during the Reporting Period, however, traffic volume and toll revenue of certain toll highway projects recorded YOY decreases.

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

In order to achieve the target of establishing a nationwide inter-network electronic toll collection system of expressways, the classification standard of vehicles on expressways and toll-by-weight for lorries were adjusted to be consistent with national standards in Guangdong Province and Hubei Province ("the Adjustment") with effect from the end of June 2015. The classification of vehicles on expressways has been standardised in accordance with 《收費公路車輛通行費車型分類》("Vehicle Classification of the Toll Highway") issued by the Ministry of Transport. Meanwhile, for cargo vehicles, tolls shall be charged in accordance with an on spot measurement of vehicles based on the total weight of vehicles and goods in accordance with the established weighting method. However, the basic rate of related charges remains the same as prior to the Adjustment. The Adjustment can help to push forward the implementation of the nationwide inter-network toll collection of expressways, resulting in an enhanced traffic efficiency of expressways, and exerting a positive effect on the comprehensive governing of over-loaded vehicles and maintaining the safety of roads and bridges at the same time. Nevertheless, the restructuring and integration of the systems would also increase the capital expenditure of the projects and bring new issues and challenges to the operation management. It is expected that the Adjustment will not have significant impact on the toll revenue and the operating results of the Group as a whole. Moreover, the Standardisation Scheme implemented by the Guangdong Province and the nationwide policies of Toll Free Scheme on Holidays and Green Passage Toll Free Policy in recent years still posed considerable negative impact on the toll revenue of the projects. During 2015, the impact of the above-mentioned policies still existed. However, the impact on YOY changes of projects' revenue has been eliminated generally.

## Management Discussion and Analysis

### 2. Business Performance and Analysis

In 2015, the traffic volume and toll revenue of most of the road projects in which the Group operated and invested continued to grow. Basic operational statistics of each project during the Reporting Period are as follows:

Toll highway	Average daily mixed traffic volume (number of vehicles in thousand) <sup>(1)</sup>			Average daily toll revenue (RMB'000)		
	2015	2014	YOY Change	2015	2014	YOY Change
<b>Guangdong Province – Shenzhen region:</b>						
Meiguan Expressway <sup>(2)</sup>	75	85	N/A	283	414	N/A
Jihe East	219	190	15.6%	1,745	1,615	8.1%
Jihe West	176	150	17.1%	1,491	1,268	17.6%
Yanba Expressway <sup>(3)</sup>	37	36	2.8%	473	493	-4.1%
Yanpai Expressway	57	57	-0.6%	442	584	-24.4%
Nanguang Expressway	96	87	11.0%	880	840	4.8%
Shuiguan Expressway <sup>(4)</sup>	191	169	13.4%	1,537	1,386	11.0%
Shuiguan Extension	75	62	22.3%	254	231	9.9%
<b>Guangdong Province – other regions:</b>						
Qinglian Expressway	33	33	0.8%	1,746	2,136	-18.3%
Yangmao Expressway	40	35	15.9%	1,695	1,552	9.2%
Guangwu Project	35	32	8.9%	894	802	11.5%
Jiangzhong Project	107	101	6.0%	1,067	1,019	4.6%
GZ W2 Expressway	50	46	8.2%	990	917	7.9%
<b>Other Provinces in the PRC:</b>						
Wuhuang Expressway	41	39	4.4%	908	891	2.0%
Changsha Ring Road	20	16	22.3%	223	168	32.7%
Nanjing Third Bridge	27	28	-3.2%	1,041	1,093	-4.8%

Notes:

- (1) Traffic volume which is toll free during holidays is not included in the figures of average daily mixed traffic volume.
- (2) Toll-free policy for Meilin to Guanlan section of Meiguan Expressway with a mileage of approximately 13.8 km has been implemented since 24:00 on 31 March 2014 and the toll for the section from Shenzhen-Dongguan border to Guanlan with a mileage of approximately 5.4 km remained the same. As there is a relatively significant change on the toll mileage, no YOY change data is provided in this table.
- (3) For the convenience of residents in Shenzhen to go to the eastern coast for leisure and vacation, the government has made a standardised 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 per year, which are included in the toll revenues of Yanba Expressway on a monthly basis. Arrangement after 2017 will be negotiated and confirmed by both parties before expiry of the agreement.
- (4) During the Reporting Period, as the Group has completed the relevant work of the acquisition of additional 10% equity interests in the Shuiguan Expressway Project Company, and obtained effective control over the project company, the equity interests of Shuiguan Expressway held by the Group therefore increased from 40% to 50% in November 2015, and the proportion of revenue consolidated into the financial statements has been adjusted to 100% from not being consolidated.

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

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

With the continuous improvement of the transportation network of Shenzhen region in recent years, coupled with the cancellation of toll collection of certain regional roads, the traffic distribution and composition in the regional road network in Shenzhen have been affected to a certain extent. Guanjintou toll station of Boshen Expressway commenced operation at the end of October 2014, driving the growth in the traffic volume of Jihe Expressway and Yanpai Expressway. The toll collection of Yantian'ao Tunnel in Shenzhen has been cancelled with effect from 1 February 2015, bringing a greater diversion impact on the traffic volumes of lorries on Yanpai Expressway and Yanba Expressway and also a slight negative effect on the performance of Jihe Expressway. On the other hand, the full opening of Coastal Expressway in late 2013 has a slight diversion impact on the traffic of Nanguang Expressway.

As the maintenance works for the road surface of Jihe Expressway and the reconstruction and expansion work of Meiguan Expressway were completed during 2013 and the first half of 2014 respectively, the negative impacts therefrom on the traffic of the projects have been gradually eliminated. Meanwhile, benefiting from the higher traffic capacity and efficiency after the projects' expansion work and maintenance works of road surface, the service standard and operational performances of the projects have been further improved. Besides, after the implementation of the toll adjustment proposal of Meiguan Expressway since April 2014, the traffic volume in toll free section has shown a faster growth, driving the growth of traffic volume in toll section and thus the operational performance of the connected Jihe Expressway. The maintenance works carried out in Longda Expressway during the Reporting Period also posed certain positive effects on Jihe Expressway. In 2015, the average daily toll revenues of Jihe East and Jihe West were better than those of the other projects in Shenzhen region, with a rapid YOY increase of 8.1% and 17.6% respectively.

During the Reporting Period, the preventive maintenance and repair works of Nanguang Expressway and Section B of Yanba Expressway have been implemented, which have negatively affected the traffic conditions and operational performance of the projects and the connected roads to a certain extent. The Company strived to reduce the adverse impact on the traffic services by means of optimisation of construction plans and implementation of reasonable traffic organisation plans, on the condition that assurance will be given about the safety and quality of the construction. The two abovementioned maintenance works were completed in November 2015.

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

Guangle Expressway (Guangzhou – Lechang, in Guangdong), being the dual line of G4 National Expressway (Guangdong Section), and Erguang Expressway (Lianzhou to Huaiji section, in Guangdong) commenced operation at the end of September 2014 and the end of December 2014 respectively. As the layouts of the above sections are similar to that of Qinglian Expressway, and construction of the link between Erguang Expressway and Qinglian Expressway is under way, certain diversions on Qinglian Expressway have been resulted at this stage.

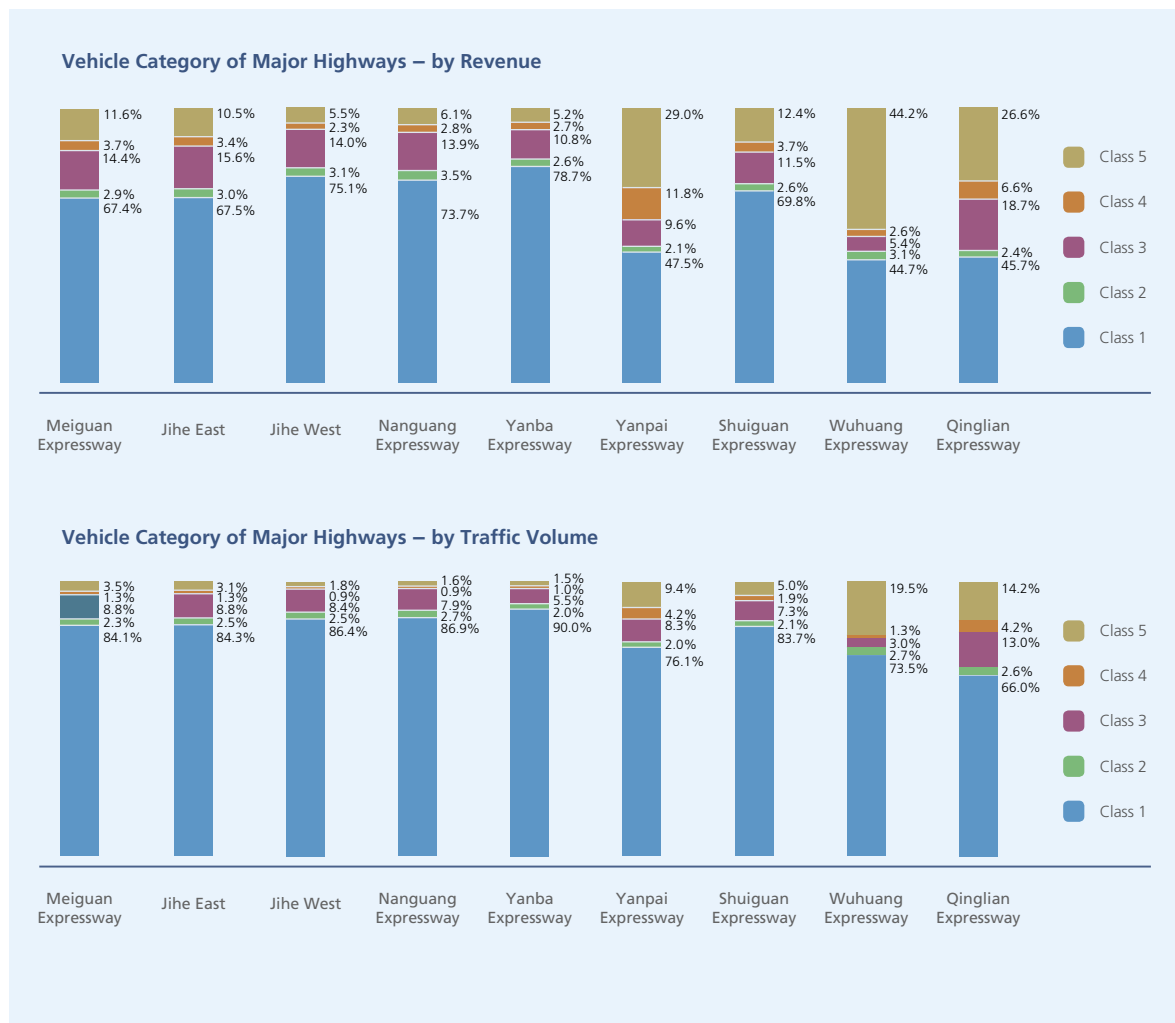
## Management Discussion and Analysis

### (3) Other provinces

In 2015, the toll revenue of Wuhuang Expressway basically remained the same as that in the same period of 2014, and its operational performance was still under the negative impact of various factors including the commencement of operation of nearby road networks and implementation of traffic control measures for municipal roads. However, the impact on YOY changes has generally been eliminated. Affected by various factors including the commencement of operation and thus diversion of Maanshan Yangtze River Bridge and the commencement of specific repair works of road surface during the period, the toll revenue of Nanjing Third Bridge recorded a YOY decrease. Benefiting from the positive impacts of various factors including the improvement of road networks, implementation of traffic control measures of neighboring roads, reconstruction works on relevant roads and economic development and business growth of enterprises along the highway, the toll revenue of Changsha Ring Road recorded a relatively rapid YOY growth.

#### Reference information

There was no substantial change in the vehicle category for each major highway project of the Group in 2015 as compared to that of last year. The following diagram shows the vehicle category of major highway projects of the Group during the Reporting Period:



### 3. Business Management and Upgrade

#### ◆ ***Implement the Nationwide Inter-Network Toll Collection System to Enhance the Quality of Operational Services***

During the Reporting Period, the Company fully leveraged its advantages in respect of technological management to proactively lead and participate in the formulation and review of technological standards, management systems and shift plans in relation to the nationwide inter-network toll collection for expressways in Guangdong Province. During the course of implementation, the Company thoroughly planned for the integration, transformation and upgrade of system, as well as the testing on installation of software and hardware. The Company also pre-organised trainings and rehearsals and timely updated and improved the work procedures and systems upon implementation of the inter-network toll collection. In the second half of the year, the Company closely monitored the operation after the network shift and continued to improve and perfect the system. Currently, the overall operation of the system is running well and the quality of operational management is under control. The toll collection system is in line with the national standard, which is beneficial for promoting the implementation of the nationwide inter-network toll collection system for expressways and enhancing the traffic efficiency of expressways. In addition, by making good use of database in the inter-network toll collection system, the Group has established a standardised terminal operation model and an inspection management system, so as to commence combating toll evasion on a regular basis, effectively implement supervisions over green passages and inspections of overloading vehicles and strive to reduce toll loss. Meanwhile, against the backdrop of the implementation of the nationwide ETC inter-network toll collection system and continuous expansion of the coverage of inter-network toll collection, regular upgrade and reform of software and hardware of the toll collection system and constant update of business procedures and management systems, the Group continued to optimise the standardised operation management modules and constantly improved the traffic condition and efficiency of roads by adhering to its regulated, standardised and systematic management model, with a view to enhance the competitiveness and operational performance of the projects.

#### ◆ ***Enhance the Operational Performance of Roads through Promotion and Marketing of the Road Networks***

Relying on the database for traffic distribution of the road networks and structure of vehicle category across Guangdong Province, and by way of site inspections, route comparison and data analysis, the Group continuously tracked the changes of road networks and travelling directions of vehicles in the region, and formulated and implemented targeted marketing and promotional measures to promote the advantages of road networks and projects through various ways, thereby attracting more drivers to use the roads of the Group and facilitating the growth of the toll revenue. During the Reporting Period, the Group continued to carry out multi-aspect works on marketing and management of the road networks with emphasis on Qinglian Expressway, Nanguang Expressway and Yanba Expressway, with an aim to develop the growth potential of each project, and formulate and implement marketing and promotional measures by taking into consideration of various factors such as the condition of projects along the highways and the changes of neighboring road networks. For instance, the Group continued to strengthen the strategic positioning of Qinglian Expressway as the main trunk road linking Guangdong Province and Hunan Province by cooperating with major tourist attractions along the highway to establish a long-term mechanism for joint cooperation and create a "golden corridor" for tourism, thereby achieving a win-win situation through integration of marketing resources. On the other hand, in response to the cancellation of toll collection of Yantian'ao Tunnel in Shenzhen, the Company set up a specific marketing team to carry out on-site inspections, design optimised routes and disseminate traffic guidance and information through multiple means and studied the Yantian Port area, towing industry thoroughly in order to understand customers' needs and enhance the service quality, so as to minimise their negative impacts on the Company. During the overhaul of Longda Expressway, the Company designed diverted routes for drivers and passengers and diverted more drivers to use Jihe West, which has promoted the growth of toll revenue of Jihe West. In addition, by seizing the opportunities created by the commencement of operation of a new station of Meiguan Expressway and implementation of the nationwide inter-network toll collection system, the Company launched various marketing and promotion activities to promote advantages of each of the project as a mean to proactively attract traffic and enhance the growth of toll revenue.

## Management Discussion and Analysis

### ◆ **Strengthen Management for Road Maintenance to Ensure the Quality of the Road Traffic**

The Company conducted regular quality checks on highways and frequent inspections on highway administration. It has also built up a joint mechanism between road assets and traffic operational information, which enables the Company to take timely measures to remove and rectify the unsafe factors in highways or take maintenance measures to better protect the quality, safety and free traffic of highways. During the Reporting Period, the Group conducted preventive maintenance works for Nanguang Expressway and Section B of Yanba Expressway and further studied the application and improvement of precautionary maintenance technology of road surface. The Company established a mechanism to conduct regular reviews on road maintenance plans and an interactive adjustment mechanism in which maintenance technology plans can be constantly improved and optimised to ensure continuous improvement of road technology and condition and prolong the useful life of the roads, thereby effectively reducing their total maintenance cost. In addition, the Group also conducted small-scale specialised works, such as reinforcement of slopes and expansion of toll stations to ensure the safety and free traffic of highways, based on the actual circumstances and needs.

### 4. **Business Development**

During the Reporting Period, the Group acquired an additional 10% interests in Qinglong Company with an initial consideration of RMB280 million and the proportion of equity interests in Shuiguan Expressway owned by the Group has increased from the original 40% to 50%. The Group has also obtained effective control over Qinglong Company through the agreement and arrangement with the co-shareholders of Qinglong Company, which has been included in the scope of consolidation for the financial statements of the Group. Shuiguan Expressway has maintained a continuous growth trend in traffic volume and toll revenue since its opening, and it has completed the expansion in recent years with proven track record and relatively low investment risks. With the increase in interests in Qinglong Company, the Group can enhance its control over the operation and management of Qinglong Company, which will in return help improve the profitability and cash flow of the Group in the future and further consolidate the core advantages of the Group in respect of investment, management, and operation of highways, which is in line with the development strategies and overall interests of the Group. For the specific impact of including Qinglong Company in the scope of consolidation for the financial statements of the Group to the Group's operating result and financial position, please refer to the relevant content in "Financial Analysis" below.

Based on the overall demands for economic development and transportation planning, the Shenzhen government has conducted an in-depth discussion and negotiation with the Company on the toll adjustment of Nanguang Expressway, Yanpai Expressway and Yanba Expressway and eventually reached a consensus and agreement in compliance with the market principles. On 30 November 2015, the Company and Transport Commission of Shenzhen Municipality (on behalf of the Shenzhen Municipal People's Government) entered into an agreement relating to the toll adjustment of Three Projects, pursuant to which, the adjustment proposal will be implemented from 00:00 on 7 February 2016 in two phases: the Company will implement the toll-free policy for Nanguang Expressway, Yanpai Expressway and Yanba Expressway, while the Transport Commission of Shenzhen Municipality will make cash compensation to the Company based on the adjustment mechanism accordingly. The adjustment will be implemented in two phases: during Phase 1 (from 7 February 2016 to 31 December 2018), the Company will implement the toll-free policy for Three Projects, under which it may retain the toll collection right and continue to be responsible for the management and maintenance of such sections; meanwhile, the Transport Commission of Shenzhen Municipality will acquire traffic services of Three Projects from the Company and make compensation for the exempted toll fees (as consideration for the services). During Phase 2 (commencing from 1 January 2019), the Transport Commission of Shenzhen Municipality can opt to adopt the adjustment mechanism in Phase 1 (Option 1) continuously or it can resume possession of the toll collection right of Three Projects earlier and make compensation accordingly (Option 2). If the Transport Commission of Shenzhen Municipality opts to resume possession of the toll collection right of Three Projects earlier, the Company will no longer retain the toll collection right of Three Projects and will no longer be responsible for the corresponding management and maintenance. In the case that Option 1 or Option 2 is adopted during Phase 2, the tentative amounts of total compensation will be RMB9.688 billion and RMB7.652 billion respectively. Such amounts will be settled, recognised or

adjusted in accordance with the settlement terms under the agreement. For details, please refer to the announcement of the Company dated 2 December 2015. All conditions precedent under the agreement have been fulfilled on 29 January 2016, and the toll-free policy has been implemented for Three Projects starting from 7 February 2016. Based on the estimated cash flow to be generated by future revenue and/or income of Nanguang Expressway, Yanpai Expressway and Yanba Expressway, the Company acquired a large amount of cash assets at a reasonable consideration and capital cost, which will enable the Company to improve its financial position and enhance its ability and provide rooms for business expansion and exploration of new industries. The Company will also step up its effort in acquiring main business projects and developing new industries, with a view to improve its asset structure for long-term development as a whole and achieve new industry layout as soon as possible. In connection with the abovementioned adjustment proposal, the Company has received a reasonable compensation, which has taken into account its needs for sustainable development. The adjustment also benefits the comprehensive social and economic development of the regions along the expressways and the overall development of Shenzhen area. Therefore, the adjustment is a win-win solution that brings benefits to the society, government and the Company. For the specific impact of the toll adjustment of Three Projects to the Group's operating result and financial position, please refer to the relevant content in "Financial Analysis" and "Outlook and Plans" below.

The Company has a pre-emptive 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 improving areas such as design proposal and investment structure and undergoing discussion and negotiation for feasible investment, construction and management proposals with the government authorities, serving to achieve a balance between corporate and social benefits. In order to cooperate with the government for the overall work planning and arrangement in relation to expressway construction, the Board has approved the Group to carry out the construction organisation works for Outer Ring Project in July 2014 and October 2015 respectively, on the condition that the Shenzhen government has specified the ultimate responsibility for Outer Ring Project and has made arrangements for the construction funding.

After careful and thorough discussion and negotiation between the Group and government authorities, the parties eventually reached a consensus on matters relating to the investment, construction and management of Outer Ring Project. According to the current proposal, the investment budget for Section A of Outer Ring is approximately RMB20.59 billion, among which, the Group will invest RMB6.5 billion and receive the operating revenue and undertake the operating cost, relevant taxes and risks of the project for a term of 25 years, and the rest part of investment amount will be assumed or financed by Shenzhen Special Economic Zone Construction and Development Company Limited, a company established and wholly-owned by the Shenzhen government. For details, please refer to the announcement of the Company dated 18 March 2016. As at the Reporting Date, the construction drawing design for Section A of Outer Ring has been approved and most of the works in relation to tenders of consultation have been completed, while other tasks including land preparation, procedures for land use, as well as relocation of pipelines and cables are now underway. The proposal for Outer Ring Project is a toll highway project undertaken by the Group based on PPP mode, which can effectively maintain a balance between public welfare and reasonable returns for commercial investment of infrastructure and provide quality service to the public in the most cost-effective way, thereby realise a win-win situation for the public, the government and the Company. The abovementioned proposal is subject to the approval at the general meeting.

## (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 tapped into new business areas as favourable trials and auxiliaries in addition to core business, aiming at providing more room for further growth and development of the Group.

## Management Discussion and Analysis

### 1. Entrusted Management Business

The entrusted construction management business and the entrusted operation management business, also known as entrusted construction business and entrusted operation business, are currently the major businesses of the Group apart from toll highway business. Leveraging its expertise and experience accumulated in the relevant areas throughout these years, the Group has realised reasonable revenues and returns from the receipt of management fee and/or bonus according to the calculation methods as agreed with the entrusting parties through provision of services relating to construction management and toll highway operation management. In addition, based on the experience in entrusted construction business, the Group has also engaged in the construction and development of local roads by adopting the BT mode (also known as BT business). Under the model of entrusted construction and entrusted operation, project construction and operation will be funded by the proceeds raised by the entrusting parties. However, under the BT mode, project construction will generally be funded by the entrusted parties who are responsible for the construction and management.

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

The projects under construction during the Reporting Period included New Toll Station of Meiguan and Facilities Project, Longda Municipal Section, Guanlan Renmin Road – Meiguan Expressway Joints Project, Resettlement Project Phase II, etc. Currently, the main focuses of the Group on entrusted construction and BT business are to strengthen safety and quality management of the projects under construction, to coordinate and monitor the recovery of revenue of entrusted construction projects, to push forward the inspection and acceptance for completed projects, and to enhance the preliminary planning of new projects.

During the Reporting Period, the entrusted construction projects were proceeded smoothly, of which construction work of the main part of the New Toll Station of Meiguan and Facilities Project was completed and commenced operation in February 2015. The delivery and inspection was completed and the coordination of other works, such as audit of construction drawing budget, are also underway. Longda Municipal Section is scheduled to be completed in the first half of 2016. Contracts have been executed for various contracted sections of Guanlan Renmin Road – Meiguan Expressway Joints Project and the relevant parties have commenced on-site construction. Most of the construction works of Resettlement Project Phase II are basically completed and the inspection and delivery work has commenced.

In addition, during the Reporting Period, tasks such as the completion settlement and the government audit of Coastal Phase I, Nanping Phase II and Dezheng Road Project were still underway. Coastal Company had actively pushed forward various preliminary works of Coastal Phase II. As at the end of the Reporting Period, the feasibility research, opinions on site planning and selection, earthquake safety assessment report of Coastal Phase II have been approved and the tender of the construction and supervision works of certain contracted sections were completed.

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

In 2015, the Company continued to be entrusted to carry out the operation management of Longda Project under the model of equity management. During the Reporting Period, each of the management task was smoothly carried out. On 30 December 2015, the Company and Baotong Company renewed the entrusted management agreement and the entrusted term was extended to 31 December 2018. Moreover, pursuant to the “Entrusted Operation 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 Coastal Company during the operation period will be confirmed after further negotiation, and is subject to the ultimate approval of the Shenzhen government. As at the Reporting Date, the details of specific matters such as 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 as well as incomes and expenses of various entrusted management businesses during the Reporting Period, please refer to the relevant content in “Financial Analysis” below and note \33 to the financial statements in this annual report.



## 2. Expansion of Entrusted Management Business

With the improvement of Guilong Road and the infrastructure in peripheral regions and the development of the whole Guilong Economic Zone, it is expected that the peripheral lands 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 an even more favourable amount of incomes from the project, Guishen Company has been actively engaged in the land auctions within the development area of Guilong Project. From 2012 up to the Reporting Date, Guishen Company has successfully won the bids for parcels of 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 certain wholly-owned subsidiaries to hold and manage the land use rights of the parcels mentioned above.

Guishen Company is adopting a progressive development strategy by phases. It has conducted a secondary self-development for certain land parcels acquired, which has an area of 300 mu (approximately 200,000 square meters). Currently, construction of Phase I Group A of Guilong Development Project (also known as "Interlaken Town Project") (approximately 110 mu, equivalent to 70,000 square meters) is almost completed, which is expected to be delivered and put into use in 2016. Guishen Company promoted the project through various means and organised a series of marketing events and actively conducted customer visits and sales events, which were well-responded by the market. In the second half of 2015, Guishen Company also commenced the development and construction of Phase I Group B (approximately 129 mu, equivalent to 86,000 square meters). As at the end of the Reporting Period, the construction drawing design and tender of construction has been completed and is now proceeding to launch of sales events.

Pursuant to the approval from the Board, the Group transferred 100% interest (including its equity interests and creditors' rights) in Guizhou Yuelong, which currently owns 296 mu (approximately 200,000 square meters) of Guilong Land by way of open tender. During the Reporting Period, the related open tender procedures were completed and the agreed transfer price amounted to approximately RMB180.80 million. The transferee has signed a transfer contract. Since the transferee failed to perform the contract on schedule, the transaction has been suspended.

In addition, on 30 December 2015, Guizhou Property entered into two transfer agreements with Shenzhen International Logistics Development Co., Ltd. ("SZ International Logistics"). Guizhou Property proposed to, after reorganising the lands of Guilong Land No. 2 and changing the use of certain land lots, transfer the entire equity in and creditors' rights of Guizhou Pengbo (which will hold approximately 322.9 mu of logistics land lots) and 51% equity interest in Guizhou Hengtongli (which will hold approximately 143.9 mu of commercial and residential land lots) to SZ International Logistics, at considerations of approximately RMB95.267 million and RMB44.021 million respectively following the reorganising. For details, please refer to the announcement of the Company dated 30 December 2015.

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

## 3. Urban Renewal Project

Pursuant to the relevant agreement and the approval of the general meeting of the Company, the Company and Shenzhen International (through XTC Company, its wholly-owned subsidiary) jointly contributed capital to establish United Land Company. As the reporting entity and implementing entity of Meilin Checkpoint Renewal Project, the Company and XTC Company own 49% and 51% equity interests of United Land Company respectively. During the Reporting Period, United Land Company executed land use right transfer contracts regarding Meilin Checkpoint Renewal Project Land Parcels with Longhua Administration Bureau, Urban Planning, Land & Resources Commission of Shenzhen Municipality, as scheduled, and paid 30% of the land premium (including the transfer price of land use right and other payables) and obtained the land use right of the land parcels. The land area of the Meilin Checkpoint Renewal Project Land Parcels is approximately 96,000 square meters and the land is for residential and commercial use with a plot ratio-based gross floor area of not more than 486,400 square meters (including public affiliated facilities, etc.) and a total land premium of approximately RMB3.567 billion. For details, please refer to the announcement of the Company dated 1 July 2015.

## Management Discussion and Analysis

Apart from the abovementioned land premium of approximately RMB3.567 billion, the total costs for Meilin Checkpoint Renewal Project Land also include relevant taxes, relocation compensation for the properties on the land, preliminary planning costs, etc. As at the end of the Reporting Period, the assessment for compensation and negotiation between United Land Company and the operators and tenants of the existing properties on the Land were basically completed while the execution of relevant agreements and cleaning up works are still in progress. According to current progress of the related work, it is estimated that the total cost of the project land parcel will be about RMB5.0 billion to RMB5.2 billion. The Meilin Checkpoint Renewal Project Land Parcels are situated at a geographically advantageous location with certain advantages on land price over the market prices of the peripheral areas. It also has better investment value and appreciation potential. The Company cooperates with Shenzhen International to carry out the project, so that it could meet the Shenzhen government's relevant requirements on the entities for urban renewal. This also enables both parties to seize the opportunities for urban development and renewal, and improve the overall corporate efficiency and shareholders' returns. The Company is actively conducting industry policy research, exploring the methods for value realisation and liquidation of the land, as well as promoting the introduction of cooperation parties with Shenzhen International, so as to realise the commercial value of the project in time.

### 4. Other Businesses

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

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

Moreover, Guangdong UETC, an associate company of the Company, proposed to implement a private placement during the Reporting Period. After the completion of capital increase, the shareholding of the Company in Guangdong UETC will decrease from 15% to 12.86%. As at the Reporting Date, such capital increase is still under negotiation and approval process. Guangdong UETC is principally engaged in electronic clearing business of the toll highways in Guangdong Province, including investment, management and services of electronic toll and clearing systems, and the sales of related products.

During the Reporting Period, the Company also subscribed 382,000,000 shares issued by Bank of Guizhou Co, Ltd. ("Bank of Guizhou"), representing 4.15% of the total share capital of Bank of Guizhou after the capital increase. Given the strong cash dividend capacity and the future development potentials of Bank of Guizhou, the subscription of the additional shares issued by Bank of Guizhou will optimise the Company's asset allocation in pursuit of sound synergy for its subsequent infrastructure investments and operations in relevant regions.

During the year, each of the above business, in general, proceeded smoothly and has met the Group's expectation. Limited by the scales, the contributions from these businesses currently only account for a very small proportion of the Group's revenue and profit. For details of the other businesses of the Company during the Reporting Period, please refer to note V33 to the Financial Statement in this annual report.

## II. Financial Analysis

In 2015, the Group recorded net profit attributable to owners of the Company ("net profit") of RMB1,552,656,000 (2014: RMB2,186,883,000), representing a YOY decrease of 29.0%. During the Reporting Period, the Group has obtained effective control over Qinglong Company and Consulting Company and they have been consolidated into the Group's financial statements. The equity interests held prior to the acquisition date of such companies were remeasured at fair value and thus generated an investment income of RMB904,017,000. In addition, as the operational performance of Qinglian Expressway was worse than expected, impairment provisions of RMB620,000,000 have been made for the concession intangible assets of Qinglian Expressway and the carrying amount of deferred tax assets with deductible losses of Qinglian Company has been reduced by RMB45,934,000. The abovementioned investment income and impairment loss as a whole have resulted in an increase of the Group's net profit of RMB513,817,000 during the Reporting Period. After excluding the effect of the abovementioned investment income and impairment loss, as well as the gains on disposal of assets of the Toll Free Section of Meiguan Expressway recognised in the corresponding period of last year and reduction of deferred tax assets of Qinglian Company, the net profit recorded a YOY decrease of 5.10%. This was mainly due to a significant YOY decrease in profit from entrusted construction management services during the Reporting Period.

For details of the investment income resulted from the remeasurement of equity interests held by the acquiree prior to the acquisition date at fair value, the impairment provisions for the concession intangible assets of Qinglian Expressway, and the reduction of the carrying amount of deferred tax assets with deductible losses of Qinglian Company, please refer to the relevant contents as set out in point (II) "Description on Material Changes in Profits from Non-main Business" below.

### (I) Analysis of Main Business

#### Analysis of Changes in Related Items in the Income Statement and Cash Flow Statement

Unit:'000 Currency: RMB

Item	Amount for the current period	Amount for the corresponding period of last year	Change (%)
Revenue	3,420,578	3,620,357	-5.52
Cost of services	1,678,748	1,705,256	-1.55
Selling expenses	14,102	4,778	195.14
General and administrative expenses	134,012	88,494	51.44
Financial expenses	370,700	419,278	-11.59
Asset impairment loss	620,000	-	N/A
Investment income	1,154,991	187,042	517.50
Non-operating income	39,931	1,510,538	-97.36
Income tax expenses	177,177	695,448	-74.52
Net cash flows from operating activities	1,771,505	1,793,755	-1.24
Net cash flows from investing activities	583,623	494,868	17.94
Net cash flows from financing activities	2,571,025	-2,123,007	N/A

## Management Discussion and Analysis

### 1. Analysis of Income and Cost

During 2015, the Group recorded revenue of RMB3,420,578,000, representing a YOY decrease of 5.52%, of which toll revenue amounted to RMB3,014,057,000, accounting for 88.12% of the Group's revenue as the main source of revenue of the Group. The decline of the Group's revenue during the Reporting Period was primarily attributable to a significant YOY decrease in revenue of entrusted construction management services. The detailed analysis of revenue is set out below:

Unit: '000 Currency: RMB

Revenue item	2015	Percentage of total (%)	2014	Percentage of total (%)	Change (%)	Description
Revenue from main business – toll highways	3,014,057	88.12	3,007,632	83.08	0.21	(1)
Revenue from other businesses – entrusted management services	94,617	2.77	503,436	13.91	-81.21	(2)
Revenue from other businesses – services such as engineering supervision and inspection	191,396	5.60	N/A	N/A	N/A	(3)
Revenue from other businesses – advertising and others	120,508	3.51	109,289	3.01	10.27	
<b>Total revenue</b>	<b>3,420,578</b>	<b>100.00</b>	<b>3,620,357</b>	<b>100.00</b>	<b>-5.52</b>	

Description:

- (1) During 2015, the Group recorded a YOY increase of 0.21% in toll revenue, of which Qinglong Company had been consolidated into the Group's financial statements since 30 October 2015 and had contributed toll revenue of RMB105,895,000 during the Reporting Period. After excluding the effect of such factor, the Group recorded a YOY decrease of 3.31% in toll revenue, which is mainly due to the cancellation of toll collection for the Toll Free Section of Meiguan Expressway since 1 April 2014 and the fact that Qinglian Expressway, Yanpai Expressway and Yanba Expressway were affected by diversion of road networks, leading to respective YOY decreases in toll revenues. Benefitted from the natural growth of traffic volume, maintenance of neighbouring road sections and proactive marketing campaigns, the operational performance of other ancillary toll highways have all achieved considerable growth. Details of analysis of the operational performance of various projects during the Reporting Period are set out in the Business Review above. The income presented based on specific items is set out in point (1) below.
- (2) Revenue from entrusted management services recorded a YOY decrease of RMB408,819,000, which is mainly due to the fact that the Group adjusted and recognised the revenue from the entrusted management services in respect of both Coastal Phase I and Guilong Project based on the actual settlement of works, the audit results of government departments and the progress of completion during 2014, resulting in a YOY decrease in the revenue from the entrusted management services of RMB210,391,000 and RMB183,142,000 respectively for the two projects. 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 government departments and settlement of works, the related services income and costs recognised may have a higher level of fluctuation.
- (3) Consulting Company has been consolidated into the Group's financial statements since 1 July 2015 and contributed a revenue of RMB191,396,000 during the Reporting Period.

**(1) Breakdown of Main Business by Industry, Product and Region**

Unit: '000 Currency: RMB

Breakdown of main business by industry						
Industry	Revenue	Cost of services	Gross profit margin (%)	YOY change in revenue (%)	YOY change in cost of services (%)	YOY change in gross profit margin (%)
Toll highway	3,014,057	1,419,450	52.91	0.21	-3.41	Increased by 1.77 pct.pt
Breakdown of main business by product						
Product	Revenue	Cost of services	Gross profit margin (%)	YOY change in revenue (%)	YOY change in cost of services (%)	YOY change in gross profit margin (%)
Qinglian Expressway	637,172	372,000	41.62	-18.29	-15.24	Decreased by 2.10 pct.pt
Jihe East	636,945	274,142	56.96	8.08	-9.82	Increased by 8.54 pct.pt
Jihe West	544,207	104,596	80.78	17.63	2.68	Increased by 2.80 pct.pt
Wuhuang Expressway	331,593	178,835	46.07	1.97	1.79	Increased by 0.09 pct.pt
Nanguang Expressway	321,130	165,560	48.44	4.78	3.94	Increased by 0.41 pct.pt
Yanpai Expressway	161,218	80,306	50.19	-24.39	-12.71	Decreased by 6.67 pct.pt
Yanba Expressway	172,652	109,146	36.78	-4.10	-0.16	Decreased by 2.50 pct.pt
Meiguan Expressway	103,245	61,251	40.67	-31.61	-30.83	Decreased by 0.67 pct.pt
<b>Subtotal</b>	<b>2,908,162</b>	<b>1,345,836</b>	<b>53.72</b>	<b>-3.31</b>	<b>-8.42</b>	<b>Increased by 2.58 pct.pt</b>
Shuiguan Expressway	105,895	73,614	30.48	N/A	N/A	N/A
<b>Total</b>	<b>3,014,057</b>	<b>1,419,450</b>	<b>52.91</b>	<b>0.21</b>	<b>-3.41</b>	<b>Increased by 1.77 pct.pt</b>
Breakdown of main business by product						
Region	Revenue	Cost of services	Gross profit margin (%)	YOY change in revenue (%)	YOY change in cost of services (%)	YOY change in gross profit margin (%)
Guangdong Province	2,682,464	1,240,615	53.75	0.00	-4.12	Increased by 1.99 pct.pt
Hubei Province	331,593	178,835	46.07	1.97	1.79	Increased by 0.09 pct.pt
<b>Total</b>	<b>3,014,057</b>	<b>1,419,450</b>	<b>52.91</b>	<b>0.21</b>	<b>-3.41</b>	<b>Increased by 1.77 pct.pt</b>

Description on the breakdown of main business by industry and product:

During 2015, the overall gross profit margin of the Group's ancillary toll highways was 52.91%, representing an increase of 1.77 percentage points in general. Among which, the gross profit margins of both Jihe East and Jihe West increased following the growth of their toll revenue and the adjustment of unit amortisation amount of concession intangible assets. The decrease in toll revenues has resulted in a decrease in gross profit margins of Qinglian Expressway, Yanpai Expressway and Yanba Expressway.

Given the nature of the Group's business, the target customers of sale of toll highways are not specific. Apart from toll fee revenue, the total revenue from the top five customers of the Group amounted to RMB113,017,000, accounting for 3.30% of the overall revenue of the Group.

## Management Discussion and Analysis

### (2) Analysis of Cost

During 2015, the cost of services of the Group amounted to RMB1,678,748,000 (2014: RMB1,705,256,000), representing a YOY decrease of 1.55%. Among which, Consulting Company and Qinglong Company had been consolidated into the Group's financial statements during the Reporting Period, resulting in an increase of cost of services of RMB143,284,000 and RMB73,614,000, respectively during the Reporting Period. After excluding the effect on the change of scope of consolidation, the cost of services recorded a YOY decrease of 14.27%, which was mainly attributable to the YOY decreases in cost of entrusted construction management services and depreciation and amortisation expenses and special maintenance expenses of ancillary toll highways during the Reporting Period. The detailed analysis of the cost of services is set out as follows:

Unit: '000 Currency: RMB

Industry	Cost items	Breakdown by industry					Description
		Amount for the current period	Amount for the current period as a percentage of total costs (%)	Amount for the corresponding period of last year	Amount for the corresponding period of last year as a percentage of total costs (%)	Change in amount for the current period as compared to the corresponding period of last year (%)	
Cost of main business – toll highways	Employee expenses	231,983	13.82	194,709	11.42	19.14	(1)
	Road maintenance expenses	139,346	8.30	156,397	9.17	-10.90	(2)
	Depreciation and amortisation	865,679	51.57	944,029	55.36	-8.30	(3)
	Other business costs	182,442	10.86	174,439	10.23	4.59	
	<b>Sub-total</b>	<b>1,419,450</b>	<b>84.55</b>	<b>1,469,574</b>	<b>86.18</b>	<b>-3.41</b>	(4)
Cost of other businesses – entrusted management services		39,480	2.35	172,475	10.11	-77.11	(5)
Cost of other businesses – services such as engineering supervision and inspection		143,284	8.54	N/A	N/A	N/A	(6)
Cost of other businesses – advertising and others		76,534	4.56	63,207	3.71	21.08	
<b>Total of cost of services</b>		<b>1,678,748</b>	<b>100.00</b>	<b>1,705,256</b>	<b>100.00</b>	<b>-1.55</b>	

Description:

- (1) Mainly represents the consolidation of Qinglong Company into the financial statements, which has resulted in an increase in employee expenses, the adjustment of the salaries and an increase in average number of toll-collection staff.
- (2) Mainly due to the fact that Qinglian Company has completed the maintenance and transfer of Qinglian Class 2 Road during 2014 and recognised road maintenance cost of RMB38,000,000.
- (3) Mainly as a result of the Group's disposal of the related assets of Toll Free Section of Meiguan Expressway during the second quarter of 2014, adjustment of unit amortisation amount of the concession intangible assets in some toll highways since the fourth quarter of 2014, and a decrease in depreciation and amortisation costs resulting from the decrease in traffic volume in certain road sections.
- (4) Costs presented based on detailed items are set out in point (1) above.

- (5) 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 contractual commitment. The entrusted management cost recognised during the year primarily included the cost of construction management services of Coastal Phase I and Guilong Project, which amounted to RMB15,708,000 and RMB5,680,000 respectively, representing a decrease of RMB135,053,000 and RMB19,836,000 respectively as compared to the corresponding period of last year.
- (6) Consulting Company has been consolidated into the Group's financial statements since 1 July 2015, which has resulted in an increase in the cost of services of RMB143,284,000 during the Reporting Period.

The purchases from the Group's top five suppliers amounted to RMB150,722,000, accounting for 19.30% of total purchases of the Group.

## 2. Expenses

The Group's selling expenses for the year 2015 amounted to RMB14,102,000 (2014: RMB4,778,000), representing a YOY increase of 195.14%. The increase was mainly attributable to the increase in marketing expenses of Guilong Development Project.

The Group's general and administrative expenses for the year 2015 amounted to RMB134,012,000 (2014: RMB88,494,000), representing a YOY increase of 51.44%. The increase was mainly attributable to the consolidation of Consulting Company into the Group's financial statements, which has resulted in an increase in the Group's general and administrative expenses and service charges of intermediary institutions.

The Group's financial expenses for the year 2015 amounted to RMB370,700,000 (2014: RMB419,278,000), representing a YOY decrease of 11.59%, which was mainly attributable to the decrease in the Group's average borrowing scale and capital costs during the Reporting Period. For details of the borrowing scale, please refer to the relevant contents as set out in point (III) below. The detailed analysis of financial expenses is as follows:

Unit: '000 Currency: RMB

Financial expenses item	2015	2014	Change (%)
Interest expenses	489,200	525,036	-6.83
Less: Interest capitalised	4,110	83	4,861.10
Interest income	124,480	107,937	15.33
Exchange gain/loss and others	-5,896	4,941	N/A
Add: Time value of provisions for maintenance/resurfacing obligations of highways	4,194	7,203	-41.76
<b>Total financial expenses</b>	<b>370,700</b>	<b>419,278</b>	<b>-11.59</b>

During 2015, the Group's income tax expenses amounted to RMB177,177,000 (2014: RMB695,448,000), representing a YOY decrease of 74.52%. Such decrease was mainly attributable to the significant increase in taxable income as a result of the recognition of gains on disposal of Meiguan Assets in 2014 and the reduction of the carrying amount of deferred tax assets of Qinglian Company by RMB45,934,000 during the Reporting Period. Details of the Group's applicable income tax rate and income tax expenses for the year are set out in notes IV and V42 to the Financial Statements in this annual report.

## Management Discussion and Analysis

### 3. Investment Income

During 2015, the Group recorded investment income of RMB1,154,991,000 (2014: RMB187,042,000), representing a YOY increase of 517.50%. During the Reporting Period, Qinglong Company and Consulting Company had been consolidated into the Group's financial statements and the equity interests held prior to the acquisition date were remeasured at fair value and thus led to an increase in investment income of RMB904,017,000. In addition, the Group received the annual dividend of RMB3,000,000 for the year 2014 from Guangdong UETC. After excluding effects of the two factors mentioned above, the investment income from joint ventures and associates attributable to the Group during the Reporting Period amounted to RMB247,974,000 (2014: RMB187,042,000), representing a YOY increase of 32.58%, which was mainly attributable to the considerable growth of toll revenue from most toll highway projects operated by the joint ventures and associates as a result of the effects of a combination of factors including improvement of regional road networks and the organic growth of traffic volume, as well as the overall decrease in borrowing scale and financial costs. Among which, Changsha Ring Road has recorded a significant growth in attributable investment income due to increased income growth and significant decrease in special maintenance expenses for road surfaces. The detailed analysis of investment income from joint ventures and associates is as follows:

Unit: '000 Currency: RMB

	Toll revenue		Cost of services		Gross profit margin		Investment income of the Group <sup>Note</sup>	
	2015	Change (%)	2015	Change (%)	2015	Change (pct. pt)	2015	Change
<b>Toll highway</b>								
<b>Joint ventures:</b>								
Changsha Ring Road	81,304	32.66	45,461	-64.00	44.09	150.13	13,823	39,054
<b>Associates:</b>								
Shuiguan Expressway	455,216	N/A	149,158	N/A	67.23	N/A	73,042	2,507
Shuiguan Extension	92,618	9.93	68,169	4.86	26.40	3.56	2,163	3,401
Yangmao Expressway	618,404	9.50	159,256	-9.11	74.25	5.27	79,685	14,748
Guangwu Project	326,278	11.46	114,721	-6.74	64.84	6.86	37,431	9,694
Jiangzhong Project	389,305	4.64	257,708	3.30	33.80	0.86	10,998	3,782
GZ W2 Expressway	361,450	7.97	150,931	4.53	58.24	1.37	-450	-14,259
Nanjing Third Bridge	379,786	-4.84	130,188	-3.73	65.72	-0.40	31,733	6,084
<b>Total</b>	/	/	/	/	/	/	248,425	65,011

Note: The recognised investment income resulting from the remeasurement of the equity interests held by Qinglong Company and Consulting Company prior to the acquisition date at fair value of RMB904,017,000, investment income from Guangdong UETC of RMB3,000,000 (2014: nil), investment income from Consulting Company of RMB2,286,000 (2014: RMB4,505,000) and investment income from United Land Company of RMB-2,738,000 (2014: RMB-877,000) were not included in the figures of investment income of the Group as set out in the above table. Data of Shuiguan Expressway was relevant data from January to October 2015. Details are set out in notes V10 and 39 to the Financial Statements in this annual report.

### 4. Non-operating Income

During 2015, there was a significant decrease in the Group's non-operating income, which was mainly resulted from the Group's disposal of the related assets of Toll Free Section of Meiguan Expressway and the recognition of gains on disposal of assets during 2014.



## 5. Cash Flow

**Descriptions on the reasons for changes in net cash flows from operating activities:** The toll revenue of the Group's principal toll highway operations is collected in cash, thereby providing the Group with a steady operating cash flow. During 2015, the Group's net cash inflows from operating activities and cash return on investments <sup>Note</sup> totalled RMB1,942,475,000 (2014: RMB1,888,989,000), representing a YOY increase of 2.83%, which was mainly due to the fact that Qinglong Company and Consulting Company had been consolidated into the financial statements during the Reporting Period, resulting in an increase in the Group's net cash flows from operating activities and a YOY increase in cash received from investment income.

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

According to the articles of association of the Company's joint ventures and associates, those companies will distribute cash to their shareholders if the conditions for cash distribution are fulfilled. According to the 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 recurring cash flow from the Group's operating and investing activities.

**Descriptions on the reasons for changes in net cash flows from investing activities:** The Group received compensation for toll adjustment of Meiguan Expressway in the amount of RMB2 billion and paid for the investment in companies such as United Land Company and Bank of Guizhou in the amount of approximately RMB1.3 billion during the Reporting Period. The net cash inflows from investing activities amounted to RMB580 million and basically remained at the same level as last year.

**Descriptions on the reasons for changes in net cash flows from financing activities:** During the Reporting Period, the Group received prepayment from the Shenzhen government for compensation for the toll adjustment of The Three Projects in the amount of RMB6.588 billion. As the prepayment will bear interest, it is classified as cash inflows from financing activities, resulting in a significant increase in the net cash inflows from financing activities during the Reporting Period as compared to last year.

## 6. Amortisation Policies of Concession Intangible Assets and the Difference of Amortisation Methods

The Group's concession intangible assets are amortised based on the units-of-usage method. The amortised amount is calculated, based on usage amount per unit, by the percentage of the actual traffic volume in the respective periods to the total projected traffic volume during the toll operating period. The Group conducts regular review on the projected traffic volume and makes corresponding adjustments to ensure the truthfulness and accuracy of the amortised amount. Details of this accounting policy and accounting estimates are set out in notes III\18(1) and 29(2) to the Financial Statements in this annual report.

During the preliminary stages of toll highways' operation and before reaching their designed saturated traffic volumes, the amortised amount calculated by the units-of-usage method is lower than that calculated by the straight-line method. During 2015, the difference in amortisation amount attributable to the Company calculated by using the two amortisation methods based on its share of interests was RMB180 million, representing a YOY increase, which was mainly attributable to the decrease in traffic volumes of Qinglian Expressway and Yanpai Expressway as well as the adjustment made to the unit amortisation amount of Jihe East and Jihe West. The adoption of different amortisation methods had no impact on the cash flow generated by various toll highway projects and thus had no impact on the valuation of various projects.

## Management Discussion and Analysis

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

#### 1. The investment income resulted from the remeasurement of equity interests held by the acquiree prior to the acquisition date at fair value

Qinglong Company and Consulting Company were former associates of the Company, which were owned as to 40% and 24% by the Company, respectively. During the Reporting Period, the Group has obtained effective control over Qinglong Company and Consulting Company and they have been consolidated into the Group's financial statements. According to the relevant requirements of Accounting Standards for Business Enterprises, when preparing the consolidated financial statements, the equity interests held prior to the acquisition date shall be remeasured based on the fair values of such equity interests on the acquisition date, and the difference between the fair values and their carrying amount shall be credited as investment income of the current period. The remeasurement has resulted in an increase of RMB899,490,000 and RMB4,527,000 respectively in the Group's net profit during the Reporting Period. Details of business combinations involving enterprises not under common control during the Reporting Period are set out in note III\29(6) and note VI\2 to the Financial Statements in this annual report.

#### 2. Impairment Provisions for the Concession Intangible Assets of Qinglian Expressway

As the diversion impact on Qinglian Expressway caused by newly constructed neighboring road sections was larger than expected, according to the relevant requirements of the Accounting Standards for Business Enterprises, in order to more genuinely reflect the financial position and asset value of the Group, during the Reporting Period, the Group has made impairment provisions of RMB620,000,000 for the concession intangible assets of Qinglian Expressway based on the prudence principle and the assessment results from professional institutions, resulting in a decrease of the Group's net profit for the Reporting Period of RMB355,121,000.

Details on the asset impairment are set out in note III\29(5) to the Financial Statements in this annual report. The aforesaid provisions for asset impairment have been considered and approved at the twelfth meeting of the seventh session of the Board of the Company. For details, please refer to the announcements of the Company dated 29 January 2016 on the resolutions of the Board and provisions for asset impairment.

#### 3. Reduction of the Carrying Amount of Deferred Tax Assets of Qinglian Company for Deductible Loss

Based on the operating conditions of Qinglian Expressway in 2015 and the projected result of an independent professional traffic consultant on its traffic volume and revenue in the future, the Group estimates that it may not be able to 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 for Business Enterprises, the Group reduced the carrying amount of deferred tax assets of Qinglian Company by RMB45,934,000 at the end of 2015, resulting in a decrease of the Group's net profit for the Reporting Period of RMB35,080,000.

For details of the changes in accounting estimates, please refer to the relevant content in point (VI) below.

### (III) Analysis of Assets and Liabilities

The Group's assets mainly comprise the concession intangible assets in high-grade toll highways and equity investments in the companies operating toll highways, which accounts for 65.20% of its total assets, while cash at bank and on hand as well as other assets account for 20.28% and 14.52% of its total assets, respectively. As at 31 December 2015, the Group's total assets amounted to RMB31,670,655,000 (31 December 2014: RMB24,329,324,000), representing a YOY increase of 30.17%. The increase was mainly attributable to the prepayment from the Shenzhen government for compensation for the toll adjustment of The Three Projects and consolidation of Consulting Company and Qinglong Company into the Group's financial statements during the Reporting Period.

As at 31 December 2015, the total outstanding interest-bearing liabilities of the Group amounted to RMB13,275,685,000 (31 December 2014: RMB8,048,610,000), representing an increase of 64.94% as compared to the end of 2014. The increase was mainly attributable to the prepayment from the Shenzhen government for compensation for the toll adjustment of The Three Projects and early repayment of part of long-term borrowings during the Reporting Period. In 2015, the average size of the Group's borrowings was RMB8.38 billion (2014: RMB8.91 billion), representing a YOY decrease of 5.95%.

## 1. Analysis of Assets and Liabilities

Unit: '000 Currency: RMB

Name of item	Amount as at the end of the current period	Amount as at the end of the current period as a percentage of total assets (%)	Amount as at the end of the previous period	Amount as at the end of the previous period as a percentage of total assets (%)	Change in amount as at the end of the current period as compared to the end of the previous period (%)	Description
Cash at bank and on hand	<b>6,422,378</b>	20.28	1,634,299	6.72	292.97	(1)
Assets classified as held for sale	<b>169,004</b>	0.53	–	–	N/A	(2)
Current portion of non-current assets	<b>139,082</b>	0.44	800,000	3.29	-82.61	(3)
Other current assets	<b>18,880</b>	0.06	34	–	55,096.59	(4)
Long-term advances to suppliers	<b>6,851</b>	0.02	3,815	0.02	79.60	(5)
Long-term receivables	<b>68,710</b>	0.22	1,291,780	5.31	-94.68	(6)
Intangible assets	<b>19,271,776</b>	60.85	16,154,662	66.40	19.30	(7)
Long-term prepaid expenses	<b>10,980</b>	0.03	2,385	0.01	360.43	(8)
Deferred tax assets	<b>77,618</b>	0.25	51,504	0.21	50.70	(9)
Other non-current assets	<b>595,920</b>	1.88	–	–	N/A	(10)
Advances payment received	<b>232,848</b>	0.74	18,322	0.08	1,170.89	(11)
Employee benefits payable	<b>154,056</b>	0.49	107,549	0.44	43.24	(12)
Taxes payable	<b>258,045</b>	0.81	529,265	2.18	-51.24	(13)
Other payables	<b>1,325,054</b>	4.18	935,705	3.85	41.61	(14)
Current portion of non-current liabilities	<b>1,836,241</b>	5.80	1,022,387	4.20	79.60	(15)
Long-term borrowings	<b>2,201,929</b>	6.95	3,898,864	16.03	-43.52	(16)
Provisions	<b>125,240</b>	0.40	88,746	0.36	41.12	(17)
Deferred tax liabilities	<b>1,339,813</b>	4.23	773,462	3.18	73.22	(18)
Other non-current liabilities	<b>6,067,060</b>	19.16	59,874	0.25	10,033.05	(19)

Descriptions:

- (1) Prepayment from the Shenzhen government for compensation for the toll adjustment of three projects and consolidation of Consulting Company and Qinglong Company into the Group's financial statements.
- (2) Intended transfer of the entire equity interests and creditors' right of Guizhou Pengbo and 51% equity interests of Guizhou Hengtongli, the related assets will be classified as assets held for sale from advances to suppliers.
- (3) Receipt of the second instalment of compensation for toll adjustment of Meiguan Expressway in the amount of RMB0.8 billion.

## Management Discussion and Analysis

- (4) Payment of relevant tax for the proceeds from pre-sale of commodity housing of Guilong Development Project.
- (5) The consolidation of Consulting Company into the financial statements has resulted in an increase in the Group's long-term advances to suppliers.
- (6) Receipt of the third instalment of compensation for toll adjustment of Meiguan Expressway in the amount of RMB1.2 billion.
- (7) The consolidation of Qinglong Company into the financial statements has resulted in an increase in the concession intangible assets of the Group.
- (8) The consolidation of Consulting Company into the financial statements has resulted in an increase in the Group's long-term prepaid expenses.
- (9) Receipt of deductible temporary differences arising from the compensation for toll adjustment of Meiguan Expressway and operating cost of the new ramp.
- (10) Additional capital contribution in Bank of Guizhou has been paid in the amount of RMB596 million, but the relevant equity registration procedures have not been completed.
- (11) The consolidation of Consulting Company into the financial statements has resulted in an increase in the Group's advances from customers and an increase in the proceeds from pre-sale of commodity housing of Guilong Development Project.
- (12) The consolidation of Consulting Company and Qinglong Company into the financial statements has resulted in an increase in the Group's employee benefits payable.
- (13) Payment of income tax related to the gains on disposal of Meiguan Assets.
- (14) Prepayment from the Shenzhen government for compensation for the toll adjustment of The Three Projects in 2016.
- (15) Corporate bonds due in 2016 in the amount of approximately RMB1.5 billion were classified as current portion of non-current liabilities. Also, part of the long-term borrowings and bonds fall due has been repaid during the Reporting Period.
- (16) Early repayment of part of the long-term bank borrowings.
- (17) Maintenance expenses of toll highways operated by subsidiaries were delayed as compared with the original plan.
- (18) The identifiable assets and liabilities of Qinglong Company are measured at the fair value on the date of consolidation, where part of asset premiums were recognised as deferred tax liabilities.
- (19) Prepayment from the Shenzhen government for compensation for the toll adjustment of The Three Projects (excluding received relevant compensation of toll adjustment in 2016).

## 2. Capital Structure and Debt Repayment Capability

The Company is always committed to maintaining a rational capital structure and constantly enhancing its profitability, so as to maintain its good credit ratings and solid financial position. Owing to the effect of various factors such as prepayment from the Shenzhen government for compensation for the toll adjustment of three projects and consolidation of Qinglong Company into the financial statements during the Reporting Period, the Group has recorded a significant increase in both assets and liabilities, however, the debt-to-asset- ratio and net borrowings-to-equity ratio as at the end of the period basically remained stable. As a result of the recognition of gains on disposal of Meiguan Assets in the corresponding period of prior year, the interest covered multiple and EBITDA interest multiple recorded a YOY decrease. Given the Group's stable and robust operating cash flows and its strong capability in financing and capital management, the Directors are of the view that the financial leverage ratios remained at safe levels as at the end of the Reporting Period.

Key indicators	31 December 2015	31 December 2014
<b>Debt-to-asset ratio</b> (Total liabilities/Total assets)	<b>52.76%</b>	46.07%
<b>Net borrowings-to-equity ratio</b> ((Total borrowings – cash and cash equivalents)/Total equity)	<b>47.42%</b>	51.78%
	<b>2015</b>	2014
<b>Interest covered multiple</b> ((Profit before tax + interest expenses)/Interest expenses)	<b>4.38</b>	6.57
<b>EBITDA interest multiple</b> (Earnings before interests, tax, depreciation and amortisation/Interest expenses)	<b>6.20</b>	8.42

## 3. Liquidity and Cash Management

During the Reporting Period, in view of the financial position and capital requirement of the Company, the Group replenished the working capital by withdrawing short-term loan, strengthened its capital arrangement on subsidiaries and major projects, maintained appropriate cash on hand and sufficient banking facilities so as to prevent liquidity risk.

During the Reporting Period, the Group received compensation for the toll adjustment of Meiguan Expressway of RMB2 billion and prepayment of compensation from the Shenzhen government for the toll adjustment of The Three Projects of RMB6.588 billion. Such funds were partly used as capital expenditure and replacement of existing borrowings during the year, the remaining of which will be used to satisfy the Company's needs for development and operation in 2016. The Company has engaged in deposit value-added business with cooperative banks on the condition that both safety and liquidity of capital reserve can be assured. As at the end of the Reporting Period, the Group's cash was deposited in commercial banks, with no deposit in non-bank financial institutions or any amounts applied to investment in securities or entrusted wealth management.

	31 December 2015	31 December 2014	Change
Net current assets	<b>4,314</b>	1,092	3,222
Cash and cash equivalents	<b>6,181</b>	1,255	4,926
Banking facilities available	<b>5,430</b>	5,507	(77)

Unit: million Currency: RMB

## Management Discussion and Analysis

### 4. Financial Strategies and Financing Arrangements

During the Reporting Period, market liquidity remained loose, the scale of credit grew rapidly and the funding rate in monetary market and bond market continued to show a downward trend. In accordance with the strategic goal and financial position of the Company and in view of the changes in the current capital market, the Company stepped up its efforts in exploring multi-level and multi-channel financing instruments of capital market, as well as improving the domestic and overseas financing channels and the centralised management platform for cross-border funds. The Company issued medium-term notes in the amount of RMB900 million bearing fixed interest with a term of 3 years in August 2015 and arranged repayment of debts of RMB4.17 billion. These were carried out in an effort to continue to optimise the capital structure and lower the composite capital costs of the Company, thereby providing financial reserves for the development of the Company.

The Group's composite borrowing costs for the Reporting Period amounted to 5.53% (2014: 5.81%), which was 0.28 percentage point lower than that in 2014. During the Reporting Period, the Group did not have any overdue principal and interests for bank loans and bonds. As at the end of the Reporting Period, the Group's borrowings comprised mainly medium to long-term borrowings and bonds. The specific borrowing structure is shown as follows:



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

As at 31 December 2015, the Group had obtained a total of RMB13.7 billion of banking facilities, including RMB7.5 billion of borrowing facilities specifically for construction projects and RMB6.2 billion of general credit facilities. As at the end of the Reporting Period, unutilised banking facilities amounted to RMB5.43 billion, of which RMB210 million were borrowing facilities specifically for construction projects and RMB5.22 billion was general credit facilities from banks.

### 5. Contingencies

Details on the Group's contingencies during the Reporting Period are set out in note XI2 to the Financial Statements in this annual report.

## (IV) Analysis of the Investment

### 1. General analysis on external investments

#### (1) Material equity investments

During the Reporting Period, the total equity investment of the Group amounted to RMB1,347 million (2014: RMB482 million), representing a YOY increase of RMB865 million or 179.46%. The details of material equity investments in 2015 are as follows:

Unit: '000 Currency: RMB

Name of investee companies	Major business	Shareholding	Investment in 2015	Description
Bank of Guizhou	Deposit and loan business; domestic clearing, bills acceptance and discounting; issuance, redemption and underwriting of various types of bonds; other businesses as approved by the banking regulatory authorities and related departments.	4.15%	595,920	In December 2015, the Company subscribed 382 million additional shares of Bank of Guizhou by way of capital contribution in the amount of RMB595,920,000. Upon completion of the subscription, the Company will hold 4.15% of the equity interests in Bank of Guizhou. As at 31 December 2015, the Company has settled this round of additional capital contribution, but the relevant procedures are still in process.
United Land Company	As the reporting entity and legal person for the Meilin Checkpoint Urban Renewal Project and be responsible for related works in acquiring the land, as well as demolition and relocation of the Meilin Checkpoint Urban Renewal Project.	49%	524,300	For details, please refer to the related content in Business Review above and "Report of the Director" in this annual report. The initial registered capital of United Land Company was RMB200 million. As at 31 December 2015, the aggregate capital contribution completed was RMB1.13 billion, of which the Company has made capital contribution of RMB553,700,000 in proportion to its shareholding.
Fameluxe Investment	Investment holding (holding 10% equity interests in Qinglong Company).	100%	220,000	In October 2015, Mei Wah Industrial, a wholly-owned subsidiary of the Company, acquired all issued shares of Fameluxe Investment at an initial consideration of RMB280 million, among which RMB220 million has been paid as at 31 December 2015.

#### (2) Material non-equity investments

During the Reporting Period, the expenditures of the Group on material non-equity investments mainly comprised the settlements of projects such as upgrade of Qinglian Class I Highway to an expressway and the reconstruction and expansion for Meiguan Expressway, the investment in road properties and mechanical and electrical facilities of the highway sections operated by subsidiaries and capital expenditures of the subsidiaries, totaling approximately RMB128 million. The investments in major projects are as follows:

Unit: '000 Currency: RMB

Project name	Project amount	Project progress	Amount invested during the Year	Actual accumulated amount invested	Gains from the project
Qinglian Project	6,125,390	100%	26,110	6,067,470	For details of the operational performance of related projects during the Reporting Period, please refer to the Analysis of Main Business as set out above.
Nanguang Expressway	3,149,320	99%	6,128	3,074,150	
Reconstruction and expansion for Meiguan Expressway	703,271	100%	9,073	639,651	
<b>Total</b>	/	/	<b>41,311</b>	9,781,271	/

## Management Discussion and Analysis

### (V) Analysis of major controlling companies and participating companies

Unit: '000 Currency: RMB

Company name	Percentage of interests held by the Group	Registered capital	31 December 2015		2015			Principal business
			Total assets	Net assets	Revenue	Operating profit	Net profit/(Net loss)	
Meiguan Company	100%	332,400	568,453	631,418	119,205	98,222	94,487	Construction, operation and management of Meiguan Expressway
Jihe East Company	100%	440,000	2,285,406	1,965,516	637,733	338,282	253,252	Construction, operation and management of Jihe East
Mei Wah Company	100%	HK\$795,381	1,977,325	1,584,129	337,237	137,537	50,788	Indirectly holding 25% interests in Qinglian Company, 10% interests in Qinglong Company and 55% interests in Magerk Company
Qinglian Company	76.37%	3,361,000	7,939,613	2,540,753	641,550	(662,262)	(542,797)	Construction, operation and management of Qinglian Expressway and related auxiliary facilities
JEL Company/ Magerk Company	55%	US\$28,000	941,319	795,821	337,237	147,530	110,510	JEL Company: investment holding (holding interests in Magerk Company); Magerk Company: toll collection and management of Wuhuang Expressway
Qinglong Company	50%	324,000	4,646,144	2,615,859	108,045	19,356	15,462	Development, construction, toll collection and management of Shuiguan Expressway
Investment Company	100%	400,000	1,303,197	776,422	31,031	(1,731)	6,094	Investment in industries and project construction
Guishen Company	70%	500,000	1,279,298	740,409	10,089	(8,832)	(1,430)	Investment, construction and management of road and urban and rural infrastructure

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

### (VI) Analysis and explanation about the reasons for and impact of changes in accounting policy, accounting estimates or accounting method by the Board

#### Changes in accounting estimates

##### *Changes in accounting estimates of deferred tax assets with deductible tax losses of Qinglian Company*

Based on the operating conditions of Qinglian Expressway in 2015 and the projected result of independent professional traffic consultant on its traffic volume and revenue in the future, the Group estimates that it may not be able to generate enough taxable income 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 with deductible losses as at the end of the period, the Group reduced the carrying amount of deferred tax assets of Qinglian Company by RMB45,934,000 at the end of 2015. These changes in accounting estimates are accounted for on a prospective basis, resulting in an increase of RMB45,934,000 of the Group's income tax expenses in 2015 and a corresponding decrease of RMB35,080,000 of the Group's net profit attributable to owners of the Company in 2015. Such changes in accounting estimates did not create a significant impact on the financial position and operating result of the Group in 2015.

The details of the changes of accounting estimates of the Company were set out in note III28 to the Financial Statements in this annual report. The above changes of accounting estimates were considered and approved at the twelfth meeting of the seventh session of the Board of the Company. For details, please refer to the announcements of the Company dated 29 January 2016 on the resolutions of the Board and the changes in accounting estimates.



## (VII) Proposed Profit Distribution

The Company's 2015 audited consolidated net profit and the net profit of the parent company in accordance with CASBE were RMB1,552,656,397.24 and RMB312,929,383.85 respectively. Pursuant to the relevant PRC laws and regulations and the Articles of Association, the Company transferred RMB31,292,938.38 to statutory surplus reserve for the year 2015. The Board of the Company recommended the payment of a final dividend of RMB0.34 (tax included) per share in cash to all shareholders, totaling RMB741,461,910.84 for the year ended 31 December 2015, representing 47.8% of the net profit as shown in the consolidated financial statements for the year 2015. The balance be carried forward to next year. The Board did not recommend any conversion of capital reserve into share capital. Such proposal is to be approved by shareholders at the 2015 Annual General Meeting of the Company.

### 1. Formulation, Implementation or Adjustment of Cash Dividend Distribution

The Company has always adhered to principle of rewarding its shareholders and paid cash dividend for 18 consecutive years since its listing.

Pursuant to the Articles of Association, the Company shall implement the profit distribution policy of cash dividend actively with the principle of attaching great importance to reasonable return on shareholders' investment, as well as considering the needs of sustainable operation and development of the Company. The Articles of Association has a clear standard on cash dividend distribution and the minimum proportion of annual dividend, and has formulated sound decision-making procedures and mechanisms. Any modification by the Company to the profit distribution policy or failure of the Company in formulating or implementing the profit distribution proposal in accordance with the policy shall be proposed and considered at the general meeting as a special resolution. The decision-making procedures of the proposal of profit distribution (including the cash dividend scheme) of the Company for 2015 was in compliance with the requirement of the Articles of Association. In the course of formulation of and determination on the profit distribution proposal, the Independent Directors of the Company has issued an independent opinion based on careful study and analysis on the relevant factors, and the Company is also able to listen to the opinions of the Independent Directors and the shareholders from various channels, and concerns the requests and legal interests of the minority investors.

### 2. Proposal of Profit Distribution and Conversion of Capital Reserve into Share Capital of the Company in the Past Three Years

Unit: RMB

Year of dividend distribution	Number of bonus issue (share) for every 10 shares	Dividend (RMB) for every 10 shares (including tax)	Total number of share (share) for conversion of capital reserve into share capital for every 10 shares	Total cash dividend (including tax)	Net profit in combined statements in the year of dividend distribution	Percentage (%) of dividend distributed to net profit in combined statements
2015 (Proposed)	0	3.40	0	741,461,910.84	1,552,656,397.24	47.8%
2014	0	4.50	0	981,346,646.70	2,186,883,365.49	44.9%
2013	0	1.60	0	348,923,252.16	719,691,617.00	48.5%

## Management Discussion and Analysis

### III. Outlook and Plans

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

##### 1. Basic Assessment on the Operating Environment

2016 marks the beginning of China's final stage in building a moderately prosperous society in all aspects, which is also going to be a tough year for its journey of structural reforms. As stated in the Central Economic Work Conference, the eco-social development of 2016, particularly the task of structural reforms, demands onerous efforts. Strategically, China will continue to adhere to the policy of "making progress while maintaining stability" by managing its pace and magnitude of development; technically, it will focus on key areas and prioritise cutting excessive capacities, de-stocking, de-leveraging, lowering costs and improving weak areas. In the foreseeable future, the Chinese economy will still maintain its growth to a certain extent, but would also be facing many difficulties and challenges. The volatility and uncertainties of the external environment will pose threats to the economic development in China in terms of currency, investment and trading. Moreover, the domestic economy will still be under more downside pressure, thus bringing down the profitability of corporates, leading to uncertainties in market expectation and damaging market confidence. Economic development determines the demand for transportation. Against this backdrop, there will be greater uncertainties in the operational performance of toll highway projects whereas more new problems may arise during the operation and management.

The operating environment of the toll highway industry is becoming more complex over time. In respect of the public and the criticism, there is demand for related public welfare despite their acknowledgement for our toll highway products and services. For national and local authorities, economic development gives rise to the demand for construction of transportation infrastructure including expressways. However, 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. While investors will be confronted with sustainable development problems resulting from the operating period of toll highways, and their rate of investment returns will decrease as factor costs increase rapidly. In general, with the continuous reinforcement of the concept of the "rule of law", it is expected that the policy guidance, criticism, public demand and reform of the toll highway industry will affect one another, promoting sound and healthy growth of the industry. During 2015, the government departments have successively launched policies such as 《基礎設施和公用事業特許經營管理辦法》("Management Measures of Concession on Infrastructure and Utilities") and 《關於在收費公路領域推廣運用政府和社會資本合作模式的實施意見》("Implementation Guidelines on Promoting Government and Social Capital Cooperation Models on Toll Highways"), and published the 《收費公路管理條例(修訂稿)》("Amendments to Toll Highway Management Ordinance"), with a view to encourage and guide social capitals to be engaged in the investment and operation of infrastructure and regulate management in the industry, which will thus be favourable to the healthy growth of the industry in the long run. Against the backdrop of the inadequacy in funds for construction and the economic measure of diversified-ownership launched in China, opportunities for acquisition of quality toll highway projects or participation in project investment, construction and operation management by way of innovative investment or financing modes may arise.

Regarding infrastructure construction, the government is pushing forward and promoting the application of PPP mode. As compared to traditional investment and financing modes, the PPP mode of cooperation is more complicated yet with more flexible and diversified modes of return, providing new business opportunities to the companies while imposing higher requirements for their capabilities in innovation of business modes. Using PPP mode in toll highway project can solve the problems of large investment scale, high construction cost and the lack of independent commercial investment value. Through the cooperation of the government and companies, the transportation demand for economic activities along the highway projects can be satisfied, at the same time providing reasonable business returns to the investors, ultimately leading to the win-win situation for all parties including the public, the government and companies.

Moreover, the progress of new form of urbanisation would induce huge demand for infrastructure construction or upgrade and reconstruction and for the maintenance management after the infrastructure have been put into use, thereby providing more business opportunities for the Company to develop its entrusted management business with its professional skill and experience. The Group will make use of its own construction and management experience, capital resources, land resources and geographical advantages to cooperate with the government or other companies, in which they will complement each other by hiding weaknesses and enhancing strengths to actively promote the construction, investment, operation and management of infrastructure.

In 2016, it is expected that the Central Bank of China will adopt a more stable and healthy monetary policy to keep the liquidity reasonable and adequate, enhance pro-cyclical adjustments and fine-tuning and provide guidance for financial institutions to improve their credit structure; all of which will further strengthen the support towards economic and social development. The Company will closely follow the policy and market changes, identify and recognise various new policies, instruments, modes and risks, so as to make reasonable financing arrangement and lower the capital cost.

## 2. Analysis on the Operating Conditions

Since 2014, projects such as Meiguan Expressway, Yantian'ao Tunnel, Nanguang Expressway, Yanpai Expressway, Yanba Expressway and Longda Expressway in Shenzhen region have successively implemented toll adjustments or cancelled the toll collection; as such, all or part of the toll sections have been toll-free. Moreover, as some of the municipal roads and the road sections connected to the expressways commenced operation, there will be some changes and adjustments in traffic distribution and composition in the regional road network, resulting in certain positive or negative impacts on the Group's toll highway projects in Shenzhen region. For instance, the toll adjustment of Meiguan Expressway has a positive effect on its remaining section and Jihe Expressway; on the other hand, the cancellation of toll collection in Yantian'ao Tunnel in Shenzhen has brought greater diversion impact on Yanpai Expressway; besides, after the implementation of the toll adjustment proposal of Nanguang Expressway, Yanpai Expressway, Yanba Expressway and Longda Expressway since 00:00 on 7 February 2016, the traffic volumes in toll free sections have shown faster growths, driving the growth of traffic volume in the connected Jihe Expressway, however, diverting the traffic volume to Nanguang Expressway and Longda Expressway from Meiguan Expressway and resulting in the slight diversion on the traffic volume of Meiguan Expressway, and overall, having a positive impact on the traffic volume of the road networks in Shenzhen region.

Guangle Expressway (Guangzhou – Lechang, in Guangdong) and Erguang Expressway Lianzhou to Huajji section (in Guangdong) will continue to have a diversion effect on Qinglian Expressway for a certain period of time in the future. The reconstruction and expansion work of Guangqing Expressway (Guangzhou – Qingyuan, in Guangdong), which connects to the southern end of Qinglian Expressway is currently in progress. The construction of the link between Guangqing Expressway and Qinglian Expressway commenced in November 2014. According to the information announced, the two construction projects will be completed by the end of 2016 and 2017 respectively. In addition, the construction of the link between Erguang Expressway and Qinglian Expressway is underway. Upon the completion of these projects, it is expected that the traffic efficiency and service capability of the whole expressway will be improved, making full use of its major traffic routes between Hunan and Guangdong Provinces, which will further optimise the competitiveness of Qinglian Expressway and enhance its operational performance.

## (II) Development Strategies of the Company

Based on the in-depth study of the changes in the development of both internal and external environment, the fourth meeting of the seventh session of the Board of the Company in June 2015 approved the "2015-2019 Development Strategies" of the Company. The Company will pursue a market-oriented and innovation-driven strategy. It will continue to seize the opportunities of this era to consolidate and strengthen the core business of toll highway and actively explore and fix the new direction of the industry so as to achieve the sustainable development of the Company.

## Management Discussion and Analysis

In respect of the **core business**, the Company will actively push forward the development of its toll highway business and at the same time further expand the development in the four areas of investment, construction, operation and maintenance, fostering the capital advantages and management abilities to drive the growth of its core business. As for the cultivation and development of the core business, the Company will prioritise to increase the shareholding of the existing projects and focus on considering projects located in privileged regions and regions related to the existing businesses, and closely monitor the investment prospect and opportunities of the projects in the main route of national highways which have commenced operation or will soon commence operation.

In respect of the **exploration of new industries**, the Company will comply with the PRC's policy guidance on industry development, effectively leverage the advantages in terms of corporate resources, fully unleash the core competitiveness of the Company and demonstrate it as a well-structured and duplicable principle, so as to actively explore and engage in investment in new industries which have a higher return than the core business. This will enable the Company to achieve the target of stabilising its performance growth in the near term and rendering new growth momentum in the long run. At this stage, the Company has set the "construction and operation service provider of urban and transport infrastructure" as its main business direction and the direction of environmental protection industry with the contents of water environment treatment, solid waste treatment, and so on.

In respect of the **investment and financing management**, the Company will actively explore new investment modes. Aiming to reduce the consolidated capital cost and maintain a reasonable capital structure, the Company will strengthen the use of financial instruments in the capital market and consolidate the internal planning and management of funds so as to fully demonstrate the Company's advantages in investment and financing and enhance the overall competitiveness for the business development of the Company.

In respect of the **organisation strength and human resources**, the Company will commit itself to building an organisation structure which can enhance the efficiency and conform to the new development strategies. The Company will also devote itself to creating a human resources management system which can enhance the staff motivation and in line with the best interest of the Company as a whole. The Company will also actively study and push forward the establishment and implementation of mechanisms such as employee stock ownership plan and share incentives to achieve the mutual growth of the enterprise, staff and shareholders' values.

### (III) Operation Plans

In 2016, 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 2016 of not less than RMB4.1 billion, with the total of operating costs, management expenses and selling expenses (excluding depreciation and amortisation) of approximately RMB1.55 billion. In 2016, it is expected that the average borrowing scale (including the received related compensation in advance from Shenzhen government regarding the toll adjustment of Three Expressways) and the financial cost of the Group will be higher on a YOY basis.
- ◆ **Toll Highway Business:** Deepen the internal management, enhance the overall operation management quality and operational service standard. Improve the operation management of inter-network toll collection in various aspects, including ensuring the stability and timeliness of the toll and clearing systems, as well as making amendment and verification for road network data models so as to provide support for decision-making. Adopt customised promotion and marketing strategies to meet the toll revenue target. Vigorously carry out the preventive maintenance works and pursue the concept of optimal maintenance cost control during the whole operation period through innovation in both technology and management.

- ◆ **Construction Management Business:** Improve construction efficiency and reduce cost by preparing preliminary organisation and planning and adopting standardised management for design of the projects. Improve the planning on tender management, regulate the preparation and review on tender documents and tender basis documents for the construction projects, enhance procedure control and management, and strengthen its control over changes in construction projects and establish a dynamic cost management system, so as to effectively control the construction cost of projects through standardised and refined contract management. Consolidate its experience in entrusted construction management to ensure the co-ordination for the collection of entrusted construction account receivables and actively explore opportunities to develop new entrusted construction business.
- ◆ **Project Development and Management:** Push forward the progress of various activities related to Guilong Project. Successfully proceed the research and negotiations for the investment mode for Outer Ring Expressway, the operation management mode for Coastal Project and the development mode for Meilin Checkpoint Renewal Project. Put more efforts in the research, reserves, selection and examination of both toll highway projects and new projects developed through exploration of new industries, as well as ongoing risk monitoring and management.
- ◆ **Financing and Financial Management:** Strengthen the management of the Group's financial resources and enhance the use of funding in a planned and prospective manner, so as to prevent capital risks. Conduct an in-depth research on diversification of the shareholder base and equity financing, establish a platform for domestic and overseas financing, make comparison and selection among various financing instruments and products, expand financing channel and lower capital cost. Comprehend the financial policies and the change in market condition in a timely manner, adjust the overall financing strategy and the execution plan in phases in due course so as to provide support for the implementation of new strategies.

#### (IV) Capital Expenditure Plan

As at the approval date of this report, the Group's capital expenditure plan mainly comprised investment in Outer Ring Project, construction settlements of projects such as reconstruction and expansion of Meiguan Expressway, and investment in road properties and mechanical and electrical equipment of the highway sections operated by subsidiaries as well as the planned investments on associates. By the end of 2018, it is expected that the Group's total capital expenditure will amount to approximately RMB7.877 billion. The Group plans to satisfy such capital needs with its own capital and bank borrowings. According to the Directors' assessment, the Group's financial resources and financing capability are currently sufficient for satisfying the needs of various capital expenditures.

## Management Discussion and Analysis

The capital expenditure plan of the Group from 2016 to 2018 is as follows:

Unit: '000 Currency: RMB

Project name	2016	2017	2018	Total
<b>1. Investment in intangible assets and fixed assets</b>				
Outer Ring Project	758,940	2,623,360	2,259,110	5,641,410
Reconstruction and expansion of Meiguan Expressway	63,620	–	–	63,620
Qinglian Project	56,550	1,370	–	57,920
Nanguang Expressway	66,490	7,320	1,360	75,170
Other Investments (Investment in mechanical and electrical equipment, etc.)	96,920	–	–	96,920
<b>2. Equity investments</b>				
United Land Company	1,896,300	–	–	1,896,300
Fameluxe Investment	46,000	–	–	46,000
<b>Total</b>	<b>2,984,820</b>	<b>2,632,050</b>	<b>2,260,470</b>	<b>7,877,340</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 the future and the current specific work plan in respect of the land transfer as well as demolition and relocation of Meilin Checkpoint Renewal Project. In the event that there is any change in the abovementioned basic assumption and work plan, the relevant capital expenditure plan 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. For details of the establishment and operation of the risk management system of the Company, please refer to the section “Internal Control” in this annual report. Currently, the Company focuses on internal and external risk issues in respect of policy, market, business expansion, investment, construction management as well as operation management.

#### 1. Policy Risk

##### **Risk position/analysis:**

With the expansion of the inter-network toll collection, upgrade and reconstruction of the software and hardware of the toll collection system, including the setup of identification stations and upgrade of display devices and monitoring system, may be required on an ongoing basis. These measures can strengthen the current operation management, at the same time increase the Group’s related investment in equipment 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 in Shenzhen, there is still a need to improve facilities such as lighting and monitoring system of the relevant road sections 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 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 is also required to establish higher requirement on supplier management, contract design and management. Currently, the specific plan and implementation schedule are not determined yet.

***Management/response measures:***

Inter-network toll collection is beneficial to enhancing the traffic efficiency and service standard of toll highway network, and to the long term development of the industry. With the expansion of coverage of the inter-network system and technology innovation, as well as reasonable upgrade and reconstruction of the software and hardware of the toll collection system and ancillary facilities to toll highways, the management level of toll highways was enhanced. This will help to enhance the traffic efficiency, traffic safety, users' experience on toll highways and thus enhance their competitiveness. The Group would optimise technical projects and implementation plans after satisfying regulatory requirements and make reasonable saving of the investment cost.

The Group will actively follow up and study the formulation, introduction and implementation progress of the VAT Scheme, organise the deployment and training of staff, streamline business flow, arrange contract files in order and analyse financial impact in advance. The Group will also organise studies and proposals of tax planning in a timely manner, actively communicate with and provide feedback to related government departments, and strive for understanding and improvement, so as to reduce and minimise the adverse impact.

**2. Market Risks*****Risk position/analysis:***

With further expansion and improvement of the expressway network, the number of parallel roads or substitutive routes will constantly increase, which will bring negative impact on the growth of the Group's toll revenue. For details of the possible diversion impact on the Group's projects at current stage, please refer to the above analysis heading "Industry Competition Landscape and Development Trend". As the diversion impact of Guangle Expressway and Erguang Expressway (Lianzhou to Huaiji section, in Guangdong) on Qinglian Expressway has temporarily stabilised, the Group has made impairment provisions for the concession intangible assets of Qinglian Expressway. However, if the positive or negative impact on Qinglian Expressway resulting from future change in road networks is larger than expected, the valuation of the project may be further affected.

***Management/response measures:***

Based on the actual condition of the regional road networks, the Group will reasonably formulate the annual operation plan and continuously follow up the change in the layout of road networks and its trend. By fully utilising the informatised data platform, and mastering the characteristics of the change in traffic volume and particular factors causing the change, the Group will adopt targeted marketing and guidance measures in advance, in order to promote improvement of road networks and thus increase the positive impact or reduce the negative impact on the Group's projects. Meanwhile, the Group will continue to increase the competitiveness of the projects through provision of good traffic service and enhancement of traffic efficiency.

**3. Business Expansion Risks*****Risk profile/analysis:***

The Group carried out Guilong Project by using Guishen Company as a platform, and participated in the regional road construction and development by adopting BT mode. In order to reduce the risk of funds recovery and generate the expected revenue, Guishen Company also participated in the bid for the related land, and took advantage of this opportunity to conduct further development of part of the land. As the reporting and implementing entity of Meilin Checkpoint Renewal Project, United Land Company has obtained the land use right of Meilin Checkpoint Renewal Project Land Parcels as scheduled; however, the relocation and cleaning up works in relation thereof is still in progress, which might result in risks such as increase in expropriation and demolition costs. Funds recovery and value realisation of land are exposed to change in policies related to government budget management and management in land and real estate industry, as well as risk of fluctuations in land market price, which will directly affect the realisation of commercial value of projects and in turn increase the investment and financial risks of the Company. The Company also invested in Bank of Guizhou. The operating results and financial condition of which may be affected by unfavourable factors, including macroeconomic downturn, interest rate fluctuations and interest rate liberalisation, as well as challenges resulting from market competition.

## Management Discussion and Analysis

The Company has included “actively explore and determine new direction for industry development” in its new strategies. As there were differences between the new business and toll highway business, if the Company’s capability on capturing the market opportunities, business experience, management model and human resources fail to bridge the differences, the project revenue, capital safety, business expansion achievement and the overall performance of the Group may be affected.

### ***Management/response measures:***

The Group has conducted in-depth study and research on the related risk of Guilong Project, and will continue to adopt various risk control measures through our Investment Company and Guishen Company. The Group will closely follow up the implementation of funds recovery plan and the procedure of payment to ensure timely recovery and repayment of funds. For Guilong Development Project, the Group strived to control development cost and utilised the competitive advantages of the project with respect to marketing plans and promotional activities and strengthened the sales management. For Meilin Checkpoint Renewal Project, the Group will procure United Land Company to actively communicate with relevant government departments and the subject of demolition, and adopt different working measures for different entities with clear work orders, so as to complete the demolition in a reasonable and legitimate manner. Meanwhile, the Group will closely follow up the change in national and local policies and regulations on land, and maintain communication and cooperation with the local government. The Group will seriously study the change in related industry policies and the market condition, actively explore channels and methods to realise land value, enhance preliminary market research, conduct thorough comparison and take reference, grasp the trend of changes in the target market, make reasonable arrangement on the scale and pace of project development, and timely adjust investment strategies or product development direction. For the investment in Bank of Guizhou, the Company will exercise shareholders’ rights according to laws and closely follow the actual operation of Bank of Guizhou to achieve better risk control and management.

The Group has carried out thorough and objective analysis on its own strength and the external environment and clearly stated the principles of industry development, including compliance with the national policy guidance for the industry, effective use of the Company’s competitive resources, fully unleashing the core competitiveness of the Company and the principles on scale and reproduction. The Group will respect the objective market pattern to, based on the features of new industries exploration, establish operating procedures, management system as well as incentive and appraisal mechanism, so as to achieve liberalisation of new industries exploration. Moreover, after enhancement of the training for team capability, the Group will also engage professionals and organisations to advise on management and take charge of specific works, and integrate the high quality resources in the industry to ensure the intended effect.

## **4. Investment Risk**

### ***Risk position/analysis:***

The Company has a pre-emptive right for the development of Outer Ring Expressway. However this project requires large scale of investment and a long return period, and lacks independent commercial investment value. Although the Group has reached an agreement with the Shenzhen government on matters regarding the investment, construction and management of Section A of Outer Ring (subject to approval of the general meeting), as the first toll highway project undertaken by the Group by applying PPP mode, its investment and financing models are different from the traditional one, and the rights and obligations among all participating parties during the implementation of the project are also different from the traditional mode. Such differences impose new requirements on the Group in various aspects, including value assessment, contract design, financing arrangement, project management and communication and coordination, which also bring uncertainties to the Group’s operation. In addition, the Group will continue to build up the reserves of toll highway projects and select the projects that are in line with its investment principle. The accuracy of assessment on aspects such as the business models, investment value and cooperative partners of these projects will likely affect the Group’s operating results and financial position.



***Management/response measures:***

The investment, construction and management of Section A of Outer Ring by adopting PPP model is a proposal after long-term negotiations, close communication and detailed assessment between the government and the Company. As such, the demand for social development and commercial returns can be both satisfied and will ultimately lead to a win-win situation for all parties including the public, the government and the Company. With the extensive experience in project construction management and entrusted construction management business accumulated over the years, the Group is confident in handling works in relation to project construction and communication with the government properly. In respect of project financing, apart from assessment on the value of the projects, the Group will make reasonable arrangement for financing and fund-raising plan over the construction period and operation period, which will also effectively reduce financial risks of the projects. As for value assessment and contract design of investment projects, the Group will fully leverage the innovative capability of its business model to conduct comprehensive assessment and estimation on the value of the projects. It will also clearly define rights and responsibilities as well as implement risk control through execution of commercial contracts.

**5. Operation Management Risks*****Risk position/analysis:***

The expansion of the inter-network toll collection called for higher requirements 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 will thus affect the interests and market image of the Company. Moreover, upon the expansion of the toll collection network, the extent and degree of impact of toll evasion incidents such as gate crashing and fake cards and free pass as a result of improper management have increased, which will result in a higher possibility of decrease in toll revenue.

If problems occurs in technical scheme, construction management and traffic organisation of road maintenance and preventive maintenance programs, the cash payments and subsequent maintenance costs of the Company will increase, and the traffic flow and traffic safety on related road sections will also be affected. In addition, the implementation of preventive maintenance programs of roads may be adjusted according to the actual conditions and the extent of damage in the highways, therefore, there is risk that the overall expenditure of the programs may overrun.

***Management/response measures:***

The Group will timely handle the problems that arise in the toll collection procedure and analyse and summarise the reasons thereof, actively coordinate and contact with the related departments/units, system suppliers and other toll highway companies, optimise operation procedures, improve and increase the stability and reliability of the system, and assure 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 will seek to prevent and stop toll evasion incidents, and fully utilise the provincial-wide inter-network database, so as to realise information sharing and improve management effectiveness.

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

# Report of the Directors

The Board is pleased to present herewith the Report of the Directors and the audited financial statements for the year ended 31 December 2015. The financial statements were prepared in accordance with CASBE, and also were complied with the disclosure requirements under the Hong Kong Companies Ordinance and the Listing Rules of HKEx.

## Principle Activities and Business Review

The principal activities of the Group are the investment, construction and operation management of toll highways and roads in the PRC. During the Reporting Period, there is no substantial change in respect of the Group's businesses. Discussion and analysis of the business review required by the relevant rules, regulations and guidance (including but not limited to the Hong Kong Companies Ordinance) can be found in the "Management Discussion and Analysis" section of this annual report and the social responsibility report 2015 of the Company dated 18 March 2016.

## Major Customers and Suppliers

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

## Results and Profit Distribution

The results of the Group for the year ended 31 December 2015 are set out in Consolidated Income Statement in this annual report.

The Board recommended the payment of a final dividend of RMB0.34 (tax included) per share in cash for 2015, the details of which are set out in "Financial Analysis" of "Management Discussion and Analysis" in this annual report.

## Financial Highlights of the Group

The financial positions of the Group and the Company as at 31 December 2015 are set out in Consolidated Balance Sheet and Balance Sheet in this annual report.

A summary of the results and of the assets and liabilities of the Company for the last five financial years is set out in "Financial and Operational Highlights" in this annual report.

## Share Capital

The total share capital of the Company was RMB2,180,770,326. Details are set out in note V28 to the Financial Statements and "Share Capital and Shareholders" in this annual report.

## Rating and Interest Payment for Listed Bonds

In April 2015, 中誠信證券評估有限公司 (China Chengxin Securities Rating Co., Ltd.) conducted a follow-up debt credit rating for the 2011 corporate bonds ("11 Shenzhen Expressway") issued by the Company on 27 July 2011, and the existing credit rating of AA+ for issuer rate and credit rate of the bond was maintained. In July 2015, the Company completed the payment of interests for the year on schedule as stipulated. An interest of RMB60 (tax included) was paid for each lot of 11 Shenzhen Expressway (with par value of RMB1,000).

## 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.

### Pre-emptive Rights

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

### Tax Relief

Shareholders are taxed in accordance with the following tax regulations and the amendments thereof from time to time. They shall enjoy possible tax relief according to the actual situation. The following cited laws, regulations and stipulations are all relevant provisions issued before 31 December 2015. Shareholders should seek professional advice from their tax and legal advisors.

#### *Holders of A Shares:*

Pursuant to 《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》 (“Notice on Differentiated Individual Income Tax Policy for Stock Dividends of Listed Companies”) (CaiShui [2015] No.101), for shares of listed companies obtained by individuals from public offerings or the market, where the holding period exceeds one year, the dividends shall be exempted from individual income tax; where the holding period is less than one month (inclusive), the dividends shall be counted as taxable income in the full amount; where the holding period is more than one month and less than one year (inclusive), 50% of the dividends shall be counted as taxable income on a provisional basis. The individual income tax rate of 20% shall be applicable for all incomes mentioned above.

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

#### *Holders of H Shares:*

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

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

#### *Investors of Shanghai-Hong Kong Stock Connect Program:*

For tax matters on individual investors in the PRC investing H shares listed on HKEx and the investors in Hong Kong investing A shares listed on the Shanghai Stock Exchange under Shanghai-Hong Kong Stock Connect Program, please refer to 《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》 (“Notice on Tax Policy Concerning the Pilot Inter-connected Mechanism for Trading on the Stock Markets of Shanghai and Hong Kong”) (CaiShui [2014] No.81) jointly issued by the Ministry of Finance, State Administration of Taxation and CSRC.

### Charity Donations

During the Reporting Period, the Group allocated RMB509,350 for charity or public welfares.

### Reserves

The amounts and particulars of material transfers to and from reserves of the Group and the Company during the Reporting Period are set out in notes V29~32 to the Financial Statements in this annual report.

## Report of the Directors

### Fixed Assets and Intangible Assets

The movements in fixed assets and intangible assets of the Group and the Company during the Reporting Period are set out in notes V11, 13 to the Financial Statements in this annual report respectively.

### Bank Loans and Other Borrowings

Details of bank loans and other borrowings of the Group and the Company as at the end of the Reporting Period are set out in notes V21-24 and 27 to the Financial Statements in this annual report.

### Subsidiaries and Joint Ventures

Details of the Company's subsidiaries and joint ventures are set out in notes VI1, and V10 to the Financial Statements in this annual report respectively.

### Directors, Supervisors and Senior Management (hereinafter referred to as "Management")

(1) Information of the Management and changes in the Management during the Reporting Period are set out in "Directors, Supervisors, Senior Management and Employees" in this annual report.

(2) Details of the remuneration received by the Management during the Reporting Period are set out in "Directors, Supervisors, Senior Management and Employees" and notes X15(6) to the Financial Statements in this annual report.

(3) Service contracts:

Each of the Directors had entered into a service contract with the Company. Contents of such contracts are the same in all material respects. All such service contracts were effective from 1 January 2015 to 31 December 2017. Save as the aforesaid, no service contracts that can be terminated within one year with compensation payable as a result (other than general statutory compensation) have been or proposed to be entered into between the Company and the Directors or the Supervisors.

(4) Interests in contracts:

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

None of the Management is materially interested in any contract or arrangement entered into by any member of the Group which contract or arrangement is subsisting at the date of this annual report and which is significant in relation to the business of the Group.

(5) Loans provided to senior management:

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

(6) Interests in subscription for shares or debentures:

As at 31 December 2015, the interests or short positions of the Directors, the Supervisors or the Chief Executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part 15 of Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) which were required to be entered into the register maintained by the Company under Section 352 of Securities and Futures Ordinance (including deemed interests and short positions under such provisions of Securities and Futures Ordinance) or which were required to be notified to the Company and HKEx pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (collectively, "interests or short positions") were as follows:

*Long positions in ordinary shares of Shenzhen International:*

Name	Number of ordinary shares held as at 31 December 2015	Change during the Period	Approximate percentage of ordinary shares in issued share capital of Shenzhen International	Nature of interests	Capacity
Hu Wei	115,692	-66,308	0.01%	Personal	Beneficial owner
Li Jing Qi	864,840	-	0.05%	Personal	Beneficial owner
Tse Yat Hong	1,000,000	+1,000,000	0.05%	Personal	Beneficial owner

*Interests in share option of Shenzhen International:*

Name	Share option unexercised as at 31 December 2015 <sup>(1)</sup>	Change during the Period		Nature of Interests	Capacity
		Exercised <sup>(2)</sup>	Lapsed <sup>(3)</sup>		
Hu Wei	1,050,000	-	-	Personal	Beneficial owner
Wang Zeng Jin	400,000	-	-29,000	Personal	Beneficial owner
Li Jing Qi	1,330,000	-50,905	-459,095	Personal	Beneficial owner
Zhao Jun Rong	1,050,000	-	-348,657	Personal	Beneficial owner
Tse Yat Hong	1,050,000	-1,430,000	-	Personal	Beneficial owner
Zhong Shan Qun	1,050,000	-	-473,250	Personal	Beneficial owner

Note:

- (1) These additional share options were granted on 29 January 2014 and could be exercised during the period from 29 January 2016 to 28 January 2019 pursuant to the grant provision, with the exercise price HK\$10.40 per share.
- (2) Ordinary shares obtained upon exercise of share options by Directors Li Jing Qi and Tse Yat Hong were disposed and sold 430,000 shares during the Reporting Period, respectively.
- (3) These additional share options has been lapsed since 27 September 2015.

Saved as disclosed above, as at 31 December 2015, none of the Management had interests or short positions defined above.

## Significant Transactions

On 30 October 2015, Mei Wah Industrial (Hong Kong) Limited ("Mei Wah Industrial") (a wholly-owned subsidiary of the Company), Sumgreat Investments Limited ("Sumgreat Investments"), Shenzhen Huayu Investment & Development (Group) Co., Ltd. and Mr. Chen Yangnan entered into a sale and purchase agreement, pursuant to which Mei Wah Industrial agreed to acquire the entire issued share capital of Fameluxe Investment Limited held by Sumgreat Investments for an initial consideration of RMB280,000,000. Fameluxe Investment Limited owns 10% equity interests in Shenzhen Qinglong Expressway Company Limited (principally engaged in development, construction, toll collection and management of Shuiguan Expressway). For details thereof, please refer to the announcement of the Company dated 30 October 2015. For relevant business discussion, please refer to the section headed "Management Discussion and Analysis" in this annual report.

On 30 November 2015, the Company and the Transport Commission of Shenzhen Municipality (深圳市交通運輸委員會) (the "Transport Commission") entered into an agreement on the toll adjustment, compensation and transfer of asset regarding Nanguang Expressway, Yanpai Expressway and Yanba Expressway (collectively, the "Three Expressways"), pursuant to which both parties have agreed to implement toll-free for the Three Expressways and the 23.8 km section of the Longda Expressway from the starting point of the Longda Expressway to the Nanguang ramp from 00:00 on 7 February 2016, in consideration for the payment of cash compensation by the Transport Commission. All conditions precedent for the effectiveness of the above agreement have been satisfied in 29 January 2016 accordingly. For details thereof, please refer to the announcements of the Company dated 2 December 2015 and 1 February 2016, respectively, and the circular of the Company dated 12 January 2016. For relevant business discussion, please refer to the section headed "Management Discussion and Analysis" in this annual report.

## Report of the Directors

On 23 December 2015, the Company entered into an agreement with Bank of Guizhou Co., Ltd, pursuant to which the Company agreed to subscribe 382,000,000 subscription shares issued by Bank of Guizhou Co., Ltd. in the consideration of RMB595,920,000. For details thereof, please refer to the announcement of the Company dated 23 December 2015.

### Connected Transactions

#### (1) Connected Transaction

On 24 June 2015, Shenzhen Meiguan Expressway Company Limited (深圳市梅觀高速公路有限公司) (“Meiguan Company”) (a wholly-owned subsidiary of the Company) entered into an agreement with Shenzhen International United Land Co., Ltd (深圳市深國際聯合置地有限公司) (“United Land Company”), pursuant to which United Land Company agreed to pay relocation compensation to Meiguan Company for the relocation of the western land parcel in Meilin Toll Station owned by Meiguan Company and Huatongyuan Logistic Centre land parcel owned by Xin Tong Chan Development (Shenzhen) Company Limited (新通產實業開發(深圳)有限公司) (“XTC Company”), etc., totaling approximately 131,000 square metres. The amount of relocation compensation will be determined by a jury comprised of assets valuation experts and legal professionals on the basis of the valuation report issued by the evaluation institution (the “Expert Jury”). As United Land Company is a subsidiary of Shenzhen International Holdings Limited (“SZ International”) which owns 51% of its equity interests through XTC Company (a wholly-owned subsidiary of SZ International), while SZ International indirectly owns 50.889% interests in the Company and XTC Company directly owns 30.025% interests in the Company, in accordance with the Listing Rules of SSE and HKEx, the transaction constitutes a connected transaction of the Company. For the details thereof, please refer to the announcement of the Company dated 24 June 2015. According to the validation determined by the Expert Jury on 6 December 2015, the amount of relocation compensation paid by United Land Company is RMB28,328,230.

On 30 December 2015, 貴州深高速置地有限公司 (Guizhou Shenzhen Expressway Property Company Limited) (“Guizhou Property”) (a 70%-owned subsidiary of the Company) and 深圳市深國際物流發展公司 (Shenzhen International Logistics Development Co., Ltd., “SZ International Logistics”) entered into two transfer agreements, pursuant to which Guizhou Property proposed to, after regrouping the land relevant to Guilong Land No. 2 and changing the land use of part of the land lots, transfer to SZ International Logistics the entire equity in and creditors’ rights of 貴州鵬博投資有限公司 (Guizhou Pengbo Investment Company Limited) (which will hold approximately 322.9 mu of logistics land lots) and 51% equity interest in 貴州恒通利置業有限公司 (Guizhou Hengtongli Property Company Limited) (which will hold approximately 143.9 mu of commercial and residential land lots) at a consideration of approximately RMB95.267 million and RMB44.021 million, respectively, following the regrouping. As SZ International Logistics is a wholly-owned subsidiary of SZ International, while SZ International indirectly owns approximately 50.889% equity interest in the Company, in accordance with the Listing Rules of SSE and HKEx, the transaction constitutes a connected transaction of the Company. For the details thereof, please refer to the announcement of the Company dated 30 December 2015.

#### (2) Continuing Connected Transaction

On 27 December 2013, the Company entered into an entrusted management agreement with 深圳市寶通公路建設開發有限公司 (Shenzhen Baotong Highway Construction and Development Company Limited, “Baotong Company”), pursuant to which Baotong Company continued to entrust the Company to manage its 89.93% equity interests in Longda Company. The term of the entrusted management commenced on 1 January 2014 and expired on 31 December 2015. The entrusted management fees are RMB18 million per year and will be paid in cash by Baotong Company by installments to the Company. Longda Company is principally engaged in toll collection, maintenance, management of the road asset and its rights, and resources development of Longda Expressway. As Baotong Company is a wholly-owned subsidiary of Shenzhen International which indirectly owns 50.889% interests in the Company, according to the Listing Rules of HKEx, the transaction constitutes a continuing connected transaction of the Company. For details thereof, please refer to the announcement of the Company dated 27 December 2013.

The Independent Directors of the Company had taken annual review on this continuing connected transaction and confirmed that the transaction was on normal commercial terms in the ordinary and usual course of business of the Company, and during the Reporting Period the transaction was in accordance with the entrusted management agreement and that the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The auditor of the Company had reviewed this continuing connected transaction pursuant to the requirements of the Listing Rules of HKEx and provided a letter on the matters described in Rule 14A.56 of the Listing Rules of HKEx.

On 30 December 2015, the Company entered into an entrusted management agreement with Baotong Company, pursuant to which Baotong Company continued to entrust the Company to manage its 89.93% equity interests in Longda Company. The term of the entrusted management commenced on 1 January 2016 and expired on 31 December 2018. The entrusted management fees are RMB18 million per year and will be paid in cash by Baotong Company by installments to the Company. For details thereof, please refer to the announcement of the Company dated 30 December 2015.

(3) Further Disclosure Made Pursuant to the Listing Rules of HKEx

Save as disclosed above, the related party transactions disclosed in note X\5 to the Financial Statements in this annual report are either connected transactions or continuing connected transactions fully exempt from reporting, announcement, independent shareholders' approval and/or annual review pursuant to Rules 14A.76, 14A.95 and 14A.96 of the Listing Rules of HKEx or do not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules of HKEx. The Company does not have any other matters that need to be disclosed under Chapter 14A of the Listing Rules of HKEx.

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

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

### Management Contract

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

For the year of 2015, the amount of entrusted assets and entrusted management fees accounted for by Magerk Company was RMB729,795,000 and RMB83,726,000 respectively. Magerk Company recorded net profit of RMB110,510,000, with net profit attributable to the Group being RMB60,780,000 after deducting minority interests, representing 3.91% of the net profit attributable to owners of the Company. This aforesaid management contract has no material impact on the financial position and operating results of the Group.

## Report of the Directors

### External Guarantees

Unit: RMB million, unless otherwise stated

External guarantees of the Company (excluding guarantees for subsidiaries)										
Name of the guarantor	Name of the guaranteed	Amount of guarantee	Date of occurrence	Commencement of guarantee	End of guarantee	Type of guarantee	Completed or not	Overdue or not	Counter guarantee provided or not	Guarantee for connected party or not
The Company	China Construction Bank Shenzhen Branch	800	20 April 2007	Aug 2007	Repayment of corporate bonds of the Company (principal and interests)	Joint liability guarantee <sup>(1)</sup>	No	No	No	No
Guizhou Property	Customers of Shenzhen Expressway • Interlaken Town Phase I Group A	27.56	May 2015 – December 2015	Effective date of mortgage loan contract	Mortgage effective date under the contract	Joint liability guarantee <sup>(2)</sup>	No	No	No	No
Total amount of guarantees occurred during the Reporting Period										27.56
Total balance of guarantees as at the end of the Reporting Period (A)										827.56
Guarantees for subsidiaries of the Company										
Total amount of guarantees occurred for subsidiaries during the Reporting Period										0
Total balance of guarantees for subsidiaries as at the end of the Reporting Period (B)										0
Total amount of guarantees of the Company (including guarantees for subsidiaries)										
Total amount of guarantees (A+B)										827.56
Proportion of total amount of guarantees to the net assets of the Company (%)										6.69%
Including:										
Amount of the guarantees for shareholders, de-facto controller and their connected parties (C)										-
Amount of the guarantees directly or indirectly for those whose debt-to-asset ratio exceeded 70% (D)										-
Amount of the guarantees exceed 50% of net assets of the Company (E)										-
Total amount of the above three guarantees (C+D+E)										0
Description on unexpired guarantees may be confronted with Joint liability										N/A

#### Description on guarantees:

- (1) The external guarantees to China Construction Bank Shenzhen Branch have been approved by the shareholders in the 2006 Annual General Meeting of the Company. For details on the guarantee, please refer to the relevant content heading "Mortgage and Pledge of Assets" below.
- (2) The Company entered into agreements on 10 January 2013 with relevant banks, pursuant to which the Company provided guarantees with joint liability in proportion of 70% for the bank loans and debt under credit facilities of Guishen Company with the total amount not more than RMB800 million. The total amount of guarantees is RMB560 million. The above-mentioned guarantee for a subsidiary of the Company had been approved by the Board in the eighth meeting of the sixth session of Board of the Company. Guishen Company had entered into agreements regarding the bank loans/ credit facilities of RMB800 million under above-mentioned guarantees. On 31 December 2015, the balance of the loan used by Company was RMB 0, the guarantees provided by the Company is RMB0 in proportion to the 70% interests.
- (3) The periodical joint liability guarantees to qualified mortgage customers of "Shenzhen Expressway • Interlaken Town Phase I Group A" in accordance with the real estate industry business practices by Guizhou Property, a subsidiary of the Company, have been approved by the forth meeting of the seventh session of Board of the Company on 30 June 2015. It is expected the total amount shall not exceed RMB250 million. During the Reporting Period, Guizhou Property provided periodic guarantees for 23 customers with an accumulated amount of RMB27,560,000. As at the end of the Reporting Period, the actual amount of the guarantees provided by Guizhou Property is RMB27,560,000.



- (4) The joint liability guarantee which covers the principle, interest and relevant expenses in relation to the USD debentures to be issued by its wholly-owned subsidiary in an aggregate principal amount of not more than USD300 million in accordance with the general practice of overseas debenture market by Mei Wah Company, a subsidiary of the Company, have been approved by the shareholders in the First Extraordinary General Meeting 2015 of the Company on 20 August 2015. As at the Reporting Date, the abovementioned debentures had not been issued, the related guarantee contracts were not signed, and the guarantees provided by Mei Wah Company is RMB0.
- (5) The company has no external guarantee in violation of decision-making procedures.
- (6) The Independent Directors of the Company have, in accordance with the relevant regulations of the CSRC, delivered specific explanations and independent opinions in relation to the external guarantees of the Company.

### Mortgage and Pledge of Assets

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

Assets	Type	Financial Institution	Scope of security	Term
Toll collection rights of Qinglian project <sup>(1)</sup>	Pledge	A consortium including China Development Bank, etc.	Principal and interests of bank loans in an aggregate amount of RMB5.9 billion	Until repayment of all liabilities by Qinglian Company under the loan agreement
100% equity interests in Meiguan Company	Pledge	China Construction Bank Shenzhen Branch	Counter-guarantee for the irrevocable guarantee with joint liability in respect of the redemption of the corporate bonds with an amount of RMB800 million upon maturity	Until repayment of corporate bonds (principal and interests)
Toll collection rights of Shuiguan Expressway <sup>(2)</sup>	Pledge	Kunlun Financial Leasing Co., Ltd	Financing pledge guarantee in an aggregate amount of RMB1 billion for Qinglong Company provided by Kunlun Financial Leasing Co., Ltd	Until repayment of the debts

Description on mortgage and pledge of assets:

- (1) Pledged by Qinglian Company, a subsidiary of the Company. As at the end of the Reporting Period, the outstanding principal balance of such consortium loans was RMB1,981 million.
- (2) Pledged by Qinglong Company, a subsidiary of the Company. As at the end of the Reporting Period, the balance of bank loans and the outstanding principal balance of financing were RMB490 million.

### Other Agreements and Matters

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

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

## Report of the Directors

### Undertakings

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

### Appointment of Auditor

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

### Results Review

The Audit Committee of the Company has reviewed and confirmed the financial statements and the annual report for the twelve months ended 31 December 2015. For details thereof, please refer to “Corporate Governance Report” in this annual report.

### Compliance with Laws and Regulations

The Group’s operations are mainly carried out by the Company’s subsidiaries in the PRC. Our operations accordingly shall comply with relevant laws and regulations in the PRC. During the Reporting Period, the Group does not breach the relevant laws and regulations that exert a significant impact on the Group.

### Name of Directors

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

By Order of the Board

**Hu Wei**

Chairman

Shenzhen, PRC, 18 March 2016

# Share Capital and Shareholders

## I. Profile of Movements of Share Capital

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

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

## II. Issuing and Listing of the Securities

As at the end of the Reporting Period, there is no issuing or listing of the stock or derivative securities by the Company.

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

As at the end of the Reporting Period, the circulating market capitalisation of A Shares of the Company (circulating A Share capital × closing price of A Shares (RMB9.80)) was RMB14.046 billion and the circulating market capitalisation of H Shares (circulating H Share capital × closing price of H Shares (HK\$6.85)) was HK\$5,120 billion.

## III. Information of Share Capital and the De-facto Controller

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

### 1. Total Number of Shareholders:

Total number of shareholders as at the end of the Reporting Period	30,674
Total number of shareholders as at the end of the fifth trading day prior to the publication of this annual report	28,243

Note:

- (1) The Company had 30,420 holders of A Shares and 254 holders of H Shares as at the end of the Reporting Period.
- (2) The Company had 27,991 holders of A Shares and 252 holders of H Shares as at the end of the fifth trading day prior to the publication of this annual report.

## Share Capital and Shareholders

### 2. Information of the Top Ten Shareholders and the Top Ten Holders of Non-restricted Circulating Shares of the Company as at the end of the Reporting Period

The top ten shareholders							
Name of shareholder	Changes during the Reporting Period	Number of shares held	Percentage	Number of restricted circulating shares held	Number of shares pledged or frozen		Nature of shareholders
					State of shares	Number	
HKSCC NOMINEES LIMITED <sup>note</sup>	+9,084,001	718,459,099	32.95%	–	Unknown		Overseas legal person
Xin Tong Chan Development (Shenzhen) Company Limited	–	654,780,000	30.03%	–	None	0	Domestic non-state-owned legal person
Shenzhen Shen Guang Hui Highway Development Company	–	411,459,887	18.87%	–	None	0	Domestic non-state-owned legal person
China Merchants Hua Jian Highway Investment Co., Ltd	–	87,211,323	4.00%	–	None	0	State-owned legal person
Guangdong Roads and Bridges Construction Development Company Limited	–	61,948,790	2.84%	–	None	0	State-owned legal person
AU SIU KWOK	–	11,000,000	0.50%	–	Unknown		Overseas natural person
IP KOW	–	9,100,000	0.42%	–	Unknown		Overseas natural person
China Securities Finance Corporation Limited	+4,416,000	4,416,000	0.20%	–	Unknown		Domestic non-state-owned legal person
Shanghai Honest fund Asset Management Co., Ltd–Honestfund Multi-Strategy Securities Investment Funds	+4,144,825	4,144,825	0.19%	–	Unknown		Domestic non-state-owned legal person
Shanghai Chengming Investment Co., Ltd	+3,086,942	3,086,942	0.14%	–	Unknown		Domestic non-state-owned legal person

The top ten holders of non-restricted circulating shares		
Name of shareholder	Number of non-restricted circulating shares held	Type of shares
HKSCC NOMINEES LIMITED <sup>note</sup>	718,459,099	H Share
Xin Tong Chan Development (Shenzhen) Company Limited	654,780,000	A Share
Shenzhen Shen Guang Hui Highway Development Company	411,459,887	A Share
China Merchants Hua Jian Highway Investment Co., Ltd	87,211,323	A Share
Guangdong Roads and Bridges Construction Development Company Limited	61,948,790	A Share
AU SIU KWOK	11,000,000	H Share
IP KOW	9,100,000	H Share
China Securities Finance Corporation Limited	4,416,000	A Share
Shanghai Honestfund Asset Management Co., Ltd–Honestfund Multi-Strategy Securities Investment Funds	4,144,825	A Share
Shanghai Chengming Investment Co., Ltd	3,086,942	A Share

Connected relationship or concerted action relationship among the abovementioned shareholders

XTC Company and SGH Company are connected persons under the same control of Shenzhen International. There is no connected relationship among the state-owned shareholders in the above table. The Company did not notice any connected relationship among the other abovementioned shareholders or any connected relationship among the abovementioned state-owned shareholders and other shareholders.

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

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

As at 31 December 2015, the interests or short positions of shareholders, other than a Director, Supervisor or senior management of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), or in accordance with the notice received by the Company and the HKEx, were as follows:

#### A Shares:

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

#### H Shares:

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

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

#### Notes:

- (1) All the A Shares of the Company are listed on SSE, and all the H Shares of the Company are listed on the main board of HKEx.
- (2) Shenzhen International is a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of HKEx.
- (3) Long positions of 654,780,000 A Shares were directly held by XTC Company as beneficial owner, 411,459,887 A Shares were directly held by SGH Company as beneficial owner, and 43,536,000 H Shares were directly held by Advance Great Limited as beneficial owner. All of these companies are wholly-owned subsidiaries of Shenzhen International.
- (4) SIHCL indirectly held 43.73% interests in Shenzhen International. Pursuant to Securities and Futures Ordinance, SIHCL was deemed to be interested in shares of the Company owned by Shenzhen International.
- (5) The relevant interests of JPMorgan Chase & Co. were held via JPMorgan Chase & Co. and its subsidiaries.

Save as disclosed above, the register required to be kept under Section 336 of Part 15 of Securities and Futures Ordinance showed that the Company had not been notified of any interests or short positions in the shares or underlying shares of the Company as at 31 December 2015.

## Share Capital and Shareholders

### IV. Information of the Controlling Shareholder and the De-facto Controller

#### 1. Information of the Controlling Shareholder

XTC Company, holding 30.025% of the Company's shares, is the largest beneficial shareholder of the Company:

Name of shareholder	Legal representative	Date of establishment	Organisation code	Registered capital	Major operating management activities
Xin Tong Chan Development (Shenzhen) Company Limited	Li Jing Qi	8 September 1993	19224376-X	RMB200,000,000	Transportation information consulting, software development of transport platform and investment in various industrial projects (specific project shall be applied separately)

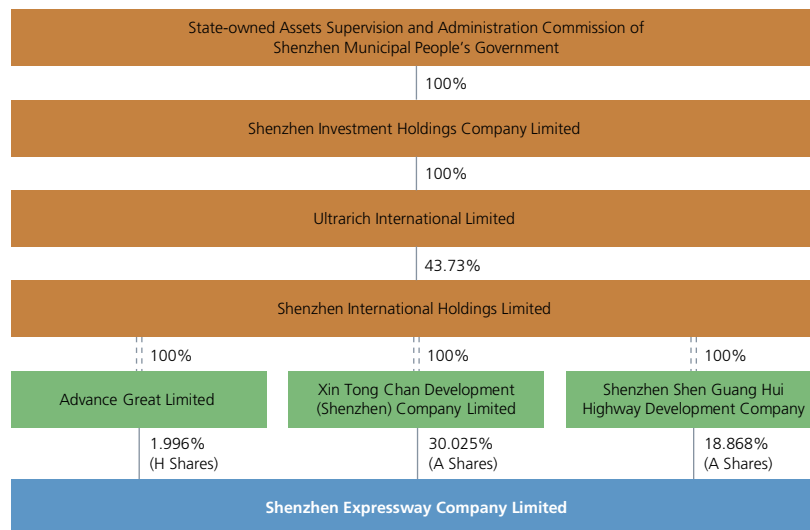
As at the end of the Reporting Period, Shenzhen International indirectly held a total of 50.889% of the Company's shares by its wholly-owned subsidiaries XTC Company, SGH Company and Advance Great Limited. For details, please refer to the following block diagram of the relation of control between the Company and the de-facto controller.

Name	Shenzhen International Holdings Limited
Person in charge or legal representative	Gao Lei (Chairman of the Board)
Date of establishment	22 November 1989
Registered capital	HK\$1,899,019,417 (issued share capital)
Major operating management activities	Shenzhen International is principally engaged in investment holding. Shenzhen International and its subsidiaries are principally engaged in the investment, construction and operation of logistic infrastructure facilities, as well as providing various value-added logistic services to customers leveraging its infrastructure facilities and information services platform.
Other domestic and overseas listed company controlled or participated during the Reporting Period	It held approximately 2.48% A shares of CSG Holding Co., Ltd., a domestic listed company, as at the end of 2015.
Other information	Shenzhen International is listed on the main board of HKEx (Stock Code: 00152). For details and the latest information of Shenzhen International, please refer to the information disclosed on the websites of HKEx and Shenzhen International.

## 2. Information of the De-facto Controller

As at 31 December 2015, SIHCL indirectly held 43.73% shares of Shenzhen International through its wholly-owned subsidiary Ultrarich International Limited. Shenzhen SASAC holds 100% interests in SIHCL, and performs supervision and management on SIHCL.

The chart of ownership and the relation of control between the Company and the de-facto controller:



## V. Other Legal Person Shareholders Holding More Than 10% of the Company's Shares

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

Name of shareholder	Legal representative	Date of establishment	Registered capital	Major operating management activities
Shenzhen Shen Guang Hui Highway Development Company	Li Jing Qi	June 1993	RMB105,600,000	Road and bridge construction and investment, materials supply and marketing
Description	Based on the shareholders' registers provided by the share registrars and the transfer offices of the Company in Hong Kong and the PRC, as at the end of the Reporting Period, apart from XTC Company and SGH Company disclosed in this section, the Company has not found any other individual shareholder beneficially holding issued shares of the Company reaching 10% or more of the total share capital.			

# Directors, Supervisors, Senior Management and Employees

## I. General Information, Change in Shareholding and Remuneration

### 1. General Information of Directors, Supervisors and Senior Management in Office as at the End of the Period

Name	Title (as at the end of the Period)	Sex	Age	Commencement of the term of office of this session <sup>(8)</sup>	End of the term of office of this session
Hu Wei	Chairman of the Board	Male	53	Jan 2015	Dec 2017
Wu Ya De	Executive Director	Male	51	Jan 1997	Dec 2017
Wu Ya De (concurrent position)	President	Male	51	Jan 2002	Aug 2018 <sup>(6)</sup>
Wang Zeng Jin	Executive Director	Male	45	Apr 2015	Dec 2017 <sup>(2)</sup>
Li Jing Qi	Non-executive Director	Male	59	Apr 2005	Dec 2017
Zhao Jun Rong	Non-executive Director	Male	51	Jan 2009	Dec 2017
Tse Yat Hong	Non-executive Director	Male	46	Jan 2009	Dec 2017
Zhang Yang	Non-executive Director	Female	51	Mar 2001	Dec 2017
Chiu Chi Cheong, Clifton	Non-executive Director	Male	61	Jan 2003	Mar 2016 <sup>(9)</sup>
Au Sing Kun	Independent Director	Male	63	Jan 2012	Dec 2017
Lin Chu Chang	Independent Director	Male	46	Jan 2012	Dec 2017
Hu Chun Yuan	Independent Director	Male	46	Jan 2015	Dec 2017
Shi Xian Liang	Independent Director	Male	44	Jan 2015	Dec 2017 <sup>(3)</sup>
Zhong Shan Qun	Chairman of the Supervisory Committee	Male	51	Aug 2009	Dec 2017
He Sen	Supervisor	Male	42	Jan 2010	Dec 2017
Fang Jie	Supervisor	Male	55	Aug 2008	Jan 2016 <sup>(4)</sup>
Liao Xiang Wen	Vice President	Male	47	Sep 2009	Aug 2018 <sup>(6)</sup>
Sun Ce	Vice President	Male	50	Sep 2015	Aug 2018 <sup>(6)</sup>
Huang Bi Nan	Vice President	Female	44	Sep 2015	Aug 2018 <sup>(6)</sup>
Wen Po Wei	Vice President	Male	42	Sep 2015	Aug 2018 <sup>(6) (7)</sup>
Gong Tao Tao	Financial Controller	Female	42	Nov 2002	Aug 2018 <sup>(6)</sup>
Li Jian	Vice President (Leave)	Male	57	Aug 2007	Aug 2015 <sup>(6)</sup>
Zhou Qing Ming	Vice President (Leave)	Male	59	Aug 2007	Aug 2015 <sup>(5)</sup>
Ge Fei	Vice President (Leave)	Male	47	Aug 2007	Mar 2015 <sup>(5)</sup>
Wu Xian	Chief Engineer (Leave)	Male	57	Aug 2007	Aug 2015 <sup>(6)</sup>
Wu Qian	Secretary of the Board (Leave)	Female	44	Sep 2004	Dec 2015 <sup>(6) (7)</sup>



## Note:

- (1) At the Third Extraordinary General Meeting 2014 of the Company hold on 19 December 2014, Mr. Hu Wei, Mr. Wu Ya De, Mr. Li Jing Qi, Mr. Zhao Jun Rong, Mr. Tse Yat Hong, Mr. Wang Zeng Jin, Ms. Zhang Yang and Mr. Chiu Chi Cheong, Clifton were appointed as Directors of the seventh session of the Board, Mr. Au Sing Kun, Mr. Lin Chu Chang, Mr. Hu Chun Yuan and Mr. Shi Xian Liang were appointed as Independent Directors of the seventh session of the Board, and Mr. Zhong Shan Qun and Mr. He Sen were appointed as shareholders' representative Supervisors of the seventh session of the Supervisory Committee. Besides, Mr. Fang Jie was elected as staff representative Supervisor of the seventh session of the Supervisory Committee in the staff representatives' meeting. The term of office of the member of the seventh session of the Board and the Supervisory Committee commenced on 1 January 2015 and shall end on 31 December 2017. Mr. Hu Wei and Mr. Zhong Shan Qun have been elected as the Chairman of the Board at the Directors' meeting and the chairman of the Supervisory Committee at the Supervisors' meeting held on 5 January 2015 respectively.
- (2) Mr. Wang Zeng Jin, Director, has re-designated from a non-executive director to an executive director of the Company and became effective on 28 April 2015.
- (3) Mr. Shi Xiang Liang, Independent Director, has applied resignation for work reasons as the Independent Director of the Company, the resignation will become effective after a new Independent Director has been elected at the general meeting of the Company.
- (4) Mr. Fang Jie, staff representative Supervisor, has resigned for personal affairs as the Supervisor of the Company and became effective on 4 January 2016; Mr. Xin Jian has been elected as staff representative Supervisor at the staff representatives' Meeting of the Company.
- (5) Mr. Ge Fei, Vice president, has applied for resignation for personal development, which was approved by the Board and became effective on 20 March 2015.
- (6) The company's senior management term expired at 31 August 2015. The directors' meeting of the Company was appointed Mr. Wu Ya De as the President of the Company, Mr. Liao Xiang Wen, Mr. Sun Ce, Ms. Huang Bi Nan, Mr. Wen Po Wei were appointed as Vice Presidents of the Company, Ms. Gong Tao Tao was appointed as the Financial Controller of the Company, Ms. Wu Qian was appointed as the Secretary of the Board and Company Secretary of the Company, The term of office of each of the senior management will commence on 1 September 2015 and end on 31 August 2018.
- (7) Ms. Wu Qian, the Secretary of the Board, has applied resignation for personal planning as the Secretary of the Board and became effective on 31 December 2015. The Board will appoint Ms. Gong Tao Tao, the Financial Controller of the Company, to carry out the duties of the Secretary of the Board, and Mr. Luo Kun has been appointed as the Secretary of the Board and Mr. Luo Kun and Ms. Lam Yuen Ling Eva have been appointed as the joint company Secretaries of the Company and became effective on 29 January 2016.
- (8) The date of this kind of person to take office for the first time which was listed by the chart, to know the details of other position which was taken by this person please refer to the item 3 of below contents.
- (9) Mr. Chiu Chi Cheong, Clifton, the Director, has applied resignation for personal work schedule reasons as the Director of the Company and became effective on 9 March 2016.

## Directors, Supervisors, Senior Management and Employees

### 2. Interests and Remuneration of Directors, Supervisors and Senior Management in Office as at the End of the Period

Unit: RMB ten thousand (before tax)

Name	Whether hold or trade shares of the Company	Remuneration receivable from the Company during the Reporting Period				Whether receive remuneration from related parties during the Period
		Fee	Statutory benefits	Remuneration and/or meeting subsidies	Total	
Hu Wei	No	96.0	17.3	N/A	113.3	No
Wu Ya De	No	92.0	17.3	N/A	109.3	No
Wang Zeng Jin <sup>(2)</sup>	No	36.0	9.7	N/A	45.7	No
Li Jing Qi	No	N/A	N/A	N/A	0.0	Yes
Zhao Jun Rong	No	N/A	N/A	N/A	0.0	Yes
Tse Yat Hong	No	N/A	N/A	N/A	0.0	Yes
Zhang Yang	No	N/A	N/A	N/A	0.0	Yes
Chiu Chi Cheong, Clifton	No	N/A	N/A	36.0	36.0	No
Au Sing Kun	No	N/A	N/A	20.0	20.0	No
Lin Chu Chang <sup>(5)</sup>	No	N/A	N/A	19.2	19.2	Yes
Hu Chun Yuan <sup>(5)</sup>	No	N/A	N/A	19.6	19.6	Yes
Shi Xian Liang <sup>(3)</sup>	No	N/A	N/A	0.0	0.0	No
Zhong Shan Qun	No	N/A	N/A	N/A	0.0	Yes
He Sen	No	N/A	N/A	0.6	0.6	No
Fang Jie	No	70.6	19.3	1.0	90.9	No
Liao Xiang Wen	No	84.9	22.7	N/A	107.6	No
Sun Ce <sup>(4)</sup>	No	27.0	8.5	N/A	35.5	No
Huang Bi Nan <sup>(4)</sup>	No	24.5	7.3	N/A	31.8	No
Wen Po Wei <sup>(4)</sup>	No	24.6	7.3	N/A	31.9	No
Gong Tao Tao	No	88.5	22.9	N/A	111.4	No
Li Jian <sup>(4)</sup>	No	56.0	15.0	N/A	71.0	No
Zhou Qing Ming <sup>(4)</sup>	No	58.0	11.2	N/A	69.2	No
Ge Fei <sup>(4)</sup>	No	20.9	5.6	N/A	26.5	No
Wu Xian <sup>(4)</sup>	No	57.4	15.1	N/A	72.5	No
Wu Qian <sup>(4)</sup>	No	83.5	22.7	N/A	106.2	No
Total:	/	/	/	/	1,118.2	/

Notes:

- (1) Statutory benefits including the contributions to social retirement insurance, other kinds of social insurance, the supplemental retirement scheme, the housing allowances and vehicle subsidies.
- (2) Director Wang Zeng Jin was got paid in the shareholder's company, after transferring from non-executive director to the executive director since 28 April 2015, Wang Zeng Jin started to get paid from the company and stopped getting paid from shareholder's company since August 2015. The amount from above chart is the managerial compensation which Wang Zeng Jin getting paid from the company.
- (3) Independent Director Mr. Shi Xian Liang, have declined the director's remuneration and meeting subsidies for the year.
- (4) Sun Ce, Huang Bi Nan, Wen Po Wei, Li Jian, Zhou Qing Ming, Ge Fei, Wu Xian didn't hold the post Senior Management in the entire report period, this kind of amount is the managerial compensation which they got paid in the period which they held the post as Senior Management.
- (5) Director Lin Chu Chang, Hu Chun Yuan get paid in related parties, there is no any relationship between related parties and the major shareholder of company.

For the information on the remuneration policies of the Directors/Supervisors of the Company, remuneration and benefits policies and performance evaluation and incentive system of the Company, please refer to point III below.

### 3. Biography of the Directors, Supervisors and Senior Management

The resumes of the Director, Supervisor and Senior Management at the End of the Reporting Period:

**Director:**

Name	Position in the Company	Resume
<p><b>HU Wei</b></p> 	<p><i>Executive Director/Chairman, Chairman of Strategic Committee, Member of Nomination Committee.</i></p> <p>Director since Jan. 2012, Chairman since Jan.2015.</p>	<p>Born in 1962. Mr. Hu has extensive experiences in corporate operation, corporate management including investment, financing, capital operations, auditing and risk management, and experience in overseas enterprises.</p> <p>Mr. Hu had worked in China Everbright Bank from October 2001 to August 2011, and has been a Vice President of Shenzhen International since August 2011, Mr Hu holds Directorship some unlisted subsidiaries of the Company.</p>
<p><b>WU Ya De</b></p> 	<p><i>Executive Director, President, Member of Strategic Committee.</i></p> <p>Director since Jan. 1997, Acting President/President since Jan. 2002.</p>	<p>Born in 1964. Mr. Wu has extensive experiences in toll highway management and investment as well as corporate management.</p> <p>Mr. Wu had been a Director, the General Manager and the Chairman of SGH Company. He has been the Acting President/President (formerly known as General Manager) of the Company since January 2002. Mr. Wu holds Directorship some unlisted subsidiaries of the Company,</p>

## Directors, Supervisors, Senior Management and Employees

### Name

### Position in the Company

### Resume

#### WANG Zeng Jin



*Executive Director,*  
Member of Remuneration Committee.

Director since Jan. 2015.

Born in 1970. Mr. Wang has more than ten years experiences in human resource management and corporate management.

Mr. Wang joined Shenzhen International in October 2004 as Secretary to the Chairman and had been the General Manager of human resource department of Shenzhen International from June 2005 to August 2015. Mr. Wang holds Directorship in an unlisted subsidiary of the Company.

#### LI Jing Qi



*Non-executive Director,*  
Member of Strategic Committee.

Director since Apr. 2005.

Born in 1956. Mr. Li has over 20 years of experiences in international banking and corporate management.

Mr. Li has been an Executive Director of Shenzhen International since March 2000, and has been the President of Shenzhen International since August 2006.

#### ZHAO Jun Rong



*Non-executive Director,*  
Member of Strategic Committee.

Director since Jan. 2009.

Born in 1964. Mr. Zhao has extensive experiences in corporate management and the legal profession.

Mr. Zhao joined Shenzhen International in October 2001, and since then had successively been the Legal Consultant, the Assistant to the President and concurrently Manager of strategic development department. He has been a Vice President of Shenzhen International since June 2007.

#### TSE Yat Hong




*Non-executive Director,*  
Member of Risk Management Committee.

Director since Jan. 2009.

Born in 1969. Mr. Tse has extensive experiences in accounting, finance and corporate governance matters of listed companies for many years.

Mr. Tse has been the Chief Financial Officer of Shenzhen International since June 2000.

Name	Position in the Company	Resume
<p><b>ZHANG Yang</b></p> 	<p><i>Non-executive Director,</i>                      Member of Risk Management Committee.</p> <p>Director since Mar. 2001.</p>	<p>Born in 1964. Ms. Zhang has extensive experiences in investment and management in expressway as well as human resources management and administrative management.</p> <p>Ms. Zhang joined CM Huajian in 1994, and has been a Deputy General Manager of CM Huajian since April 2007.</p>
<p><b>CHIU Chi Cheong, Clifton</b></p> 	<p><i>Non-executive Director,</i>                      Member of Audit Committee,                      Member of Remuneration Committee.</p> <p>Director since Dec. 1996                      (Independent Director: 1996-2002).</p>	<p>Born in 1954. Mr. Chiu has extensive experiences in finance, securities, financial management and corporate governance.</p> <p>Mr. Chiu has been the Managing Director of Harvester (Holdings) Company Limited since January 1994, and he also had been a Vice Chairman of the Takeover and Mergers Panel of the SFC, a member of Process Review Panel of the SFC, and the Vice Chairman of the Listing Committee of the Main Board of HKEx and the Listing Committee of the Growth Enterprises Market of HKEx, etc. and a member of the University Grants Committee of Hong Kong Special Administrative Region.</p>
<p><b>AU Sing Kun</b></p> 	<p><i>Independent Director,</i>                      Chairman of Risk Management Committee,                      Member of Audit Committee,                      Member of Remuneration Committee.</p> <p>Independent Director since Jan. 2012.</p>	<p>Born in 1952. Mr. Au has many years in depth experiences in international banking and risk management.</p> <p>Mr. Au had worked in HSBC from 1978 to 2009, and had successively been the Operation Director of HSBC (China), the President of HSBC Shenzhen Branch, the Chief Executive Officer of HSBC (Macau), etc. He has been a Director of Nice International Investments Limited since his retirement in 2009.</p>
<p><b>LIN Chu Chang</b></p> 	<p><i>Independent Director,</i>                      Member of Strategic Committee,                      Member of Nomination Committee.</p> <p>Independent Director since Jan. 2012.</p>	<p>Born in 1969. Mr. Lin has experiences in financial investment and real estate development for many years.</p> <p>Mr. Lin had been the Chief Financial Officer of China Resources Land Limited from 2002 to 2006, the Chief Financial Officer and Executive Director of Longfor Properties Co. Ltd. from 2006 to 2010. Mr. Lin currently is the Chairman and Executive President of Jeffrey Investments Limited.</p>

## Directors, Supervisors, Senior Management and Employees

### Name

### Position in the Company

### Resume

#### HU Chun Yuan



*Independent Director,*  
Chairman of Audit Committee,  
Member of Remuneration Committee.

Independent Director since Jan.2015.

Born in 1969. Mr. Hu has well experiences in restructuring and listing, assets reorganisation and bonds reorganisation, the auditing of listed companies and securities companies, and the design of corporate governance structure and management structure.

Mr. Hu had successively engaged in auditing and management consultancy in several domestic accounting firms. Since July 2011, he has been the Vice President and Executive Partner of BDO China Shu Lun Pan Certified Public Accountants LLP and a fellow certified public accountant.

#### SHI Xian Liang






*Independent Director,*  
Chairman of Nomination Committee,  
Chairman of Remuneration Committee.

Independent Director since Jan.2015.

Born in 1971. Mr. Shi has high theoretical level and rich practical experiences in development strategy and planning of logistics, supply chain and logistics management, logistics informatisation.

Mr. Shi has worked in Beijing Jiaotong University since 1993, and had been the Deputy Director of logistics institute, Director and Associate Professor of the logistics management department of the School of Economics and Management. He is currently the Deputy Dean and Professor of the School of Economics and Management of Beijing Jiaotong University.

**Members of the Seventh Session of the Supervisory Committee:**

Name	Position in the Company	Resume
<p><b>ZHONG Shan Qun</b></p> 	<p><i>(Shareholders' representative) Supervisor/ Chairman of the Supervisory Committee.</i></p> <p>Mr. Zhong had been a Director from Jan. 1997 to Apr. 2005, the Chairman of the Supervisor Committee from Jan. 2006 to Sep. 2007, and has been a Supervisor/the Chairman of the Supervisor Committee since Aug. 2009.</p>	<p>Born in 1964. Mr. Zhong has extensive experiences in engineering construction management, logistics management and corporate management.</p> <p>Mr. Zhong had been the General Manager, the Chairman of XTC Company. He has been a Vice President of Shenzhen International from June 2007 to January 2015. Mr. Zhong has been an Executive Director of Shenzhen International since January 2015.</p>
<p><b>HE Sen</b></p> 	<p><i>(Shareholders' representative) Supervisor.</i></p> <p>Supervisor since Jan. 2010.</p>	<p>Born in 1973. Mr. He has experiences in financial management and corporate management in toll highway industry.</p> <p>Mr. He joined GDRB Company in March 2001, serving as the Deputy Manager of finance department of GDRB Company, and has been the Manager of financial department/Minister of financial management department of GDRB Company since November 2009.</p>
<p><b>FANG Jie</b></p> 	<p><i>(Staff representative) Supervisor.</i></p> <p>Mr. Fang had been a Supervisor from Aug. 2008 to Jan.2016.</p>	<p>Born in 1960. Mr. Fang has experiences in project management and personnel administration for many years.</p> <p>From January 2001 to March 2007, Mr. Fang had worked in XTC Company. He joined the Company in April 2007, serving successively as the General Manger of project development department and the Director of chief engineer office of the Company. Mr. Fang is also a Supervisor of an unlisted subsidiary of the Company.</p>

## Directors, Supervisors, Senior Management and Employees

### Senior Management:

#### Name

**LIAO Xiang Wen**



#### Position in the Company

*Vice President.*

Details are set out in the resume in the right column.

#### Resume

Born in 1968. Mr. Liao has many years experience in toll highway, human resources, and Legal affairs management. Mr. Liao is mainly responsible for toll collections business and relative mechanical/electrical maintenance, toll highway maintenance and administration as well as operation of the entrusted management of overall management.

Mr. Liao joined the Company in 2004. He has been a Vice President since September 2009. Mr. Liao serving as a Director of some unlisted subsidiaries of the Company and a Director of Guangdong UETC, which is an investee company of the Group.

#### Sun Ce



*Vice President.*

Details are set out in the resume in the right column.

Born in 1965. Mr. Sun has rich experience in engineering construction and project management. Mr. Sun is mainly responsible for technical works, construction business as well as safety work management of overall management.

Mr. Sun joined the Company in 1997, and has been the Engineering General Manger of the Company since July 2011, and has been a Vice President since September 2015, concurrently he serving as Director/General Manger of some unlisted subsidiaries of the Company.

#### Huang Bi Nan



*Vice President.*

Details are set out in the resume in the right column.

Born in 1971. Ms. Huang has many years experience in administrative management and development of corporate culture. Ms. Huang is mainly responsible for overall management, including information management, administrative affairs, public relations and maintaining quality system of the company, headquarters in security management, etc.

Ms. Huang joined the Company in 1997 and has been the Office General Manger of the Company since June 2008 and a Vice President since September 2015. Ms. Huang serving as a Director of an unlisted subsidiary of the Company.



**Name****Wen Po Wei****Position in the Company***Vice President.*

Details are set out in the resume in the right column.

**Resume**

Born in 1973. Mr. Wen has many years experience in operation management of the highway and project investment control. Mr. Wen is mainly responsible for the company strategy, equity financing, overall management of investment project and the total research about new industry.

Mr. Wen has been the General Manager of the strategy and investment development department of Shenzhen International as well as the Deputy General Manager of a number of unlisted subsidiaries from April 2008 to August 2015. Mr. Wen joined the Company in 2015, He has been a Vice President since September 2015. Mr. Wen serving as a Director of an unlisted subsidiary of the Company.

**GONG Tao Tao***Financial Controller.*

MS. Gong had been the Secretary of the Board and Company Secretarial from Dec.2015 to Jan.2016.




Details are set out in the resume in the right column.

Born in 1973. Ms. Gong has many years experience in finance, accounting and risk management. Ms. Gong is mainly responsible for overall financial operation of the Company, including formulating financial strategies and plans, compiling budgets and accounts, preparation of periodic financial reports, managing non-equity financing and funds, and monitoring the implementation of financial and operational plans, etc.

Ms. Gong joined the Company in 1999, and has been the Financial Controller since November 2002. Ms. Gong serving as Directors/General Manger of some unlisted subsidiaries of the Company.

## Directors, Supervisors, Senior Management and Employees

### *Other Directors, Senior Management and Joint Company Secretaries in Office at the Reporting Date:*

Name	Position in the Company	Resume
<p data-bbox="180 459 475 493"><b>Xin Jian</b></p> 	<p data-bbox="491 459 842 493"><i>(Staff representative) Supervisor.</i></p> <p data-bbox="491 504 842 545">Supervisor since Jan. 2016.</p>	<p data-bbox="866 459 1369 534">Born in 1968. Mr. Xin has many years experience in financial and capital management.</p> <p data-bbox="866 567 1369 717">He joined the Company in December 1996 and had been Capital Manager of finance department, etc. Currently, Mr. Xin serving as the Senior headquarter Financial Manager of finance department of the Company.</p>
<p data-bbox="180 782 475 817"><b>Luo Kun</b></p> 	<p data-bbox="491 782 842 838"><i>Secretary of the Board/The Joint Company Secretaries</i></p> <p data-bbox="491 849 842 901">Details are set out in the resume in the right column.</p>	<p data-bbox="866 782 1369 976">Born in 1972, Mr. Luo has many years experience in accounting, auditing, investment and finance and corporate management. Mr. Luo is mainly responsible for information disclosure, investor relations and corporate governance of the Company.</p> <p data-bbox="866 1009 1369 1429">Mr Luo was joined our company in 1998. Mr Luo has been the Finance Controller of unlisted subsidiaries of the Company and the Vice General Manager of the strategy and investment development department of the Company, etc. He has been the General Manager of the strategy and investment development of the Company since September 2013, and has been the Secretary of the Board/the Joint Company Secretaries since January 2016. Mr Luo serving as a Director of some unlisted subsidiaries of the Company and a Director of the following investee companies of the Company: Huayu Company and Yangmao Company.</p>
<p data-bbox="180 1450 475 1485"><b>Lam Yuen Ling Eva</b></p> 	<p data-bbox="491 1450 842 1485"><i>The Joint Company Secretaries</i></p>	<p data-bbox="866 1450 1369 1645">Born in 1966. Ms. Lam has over 20 years of experience in company secretarial services and commercial solutions. Ms. Lam is a fellow of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.</p> <p data-bbox="866 1677 1369 1858">She is currently a director of BMI Listed Corporate Services Limited and is responsible for supervising the company secretarial teams to provide full range of listed and private company secretarial services to clients, has been the Joint Company Secretaries since January 2016.</p>

## II. Main Position of the Directors, Supervisors and Senior Management Hold

### 1. Positions in Shareholder Entities

Name	Name of shareholder entity	Position	Term
Hu Wei	XTC Company	Director	Oct 2012 – Now
	Shenzhen International	Vice President	Aug 2011 – Now
Wang Zeng Jin	Shenzhen International	General Manager of Human Resource Department	Jun 2005 – Aug 2015
Li Jing Qi	XTC Company	Chairman, General Manager	Nov 2013 – Now
	SGH Company	Chairman	Jun 2009 – Now
	Shenzhen International	Executive Director and President	Aug 2006 – Now
	Ultrarich International Ltd	Director	May 2007 – Now
Zhao Jun Rong	XTC Company	Director	Jun 2009 – Now
	SGH Company	Director	Jun 2009 – Now
	Shenzhen International	Vice President	Jun 2007 – Now
Tse Yat Hong	Shenzhen International	Chief Financial Officer	Jun 2000 – Now
Zhang Yang	CM Huajian	Deputy General Manager	Apr 2007 – Now
Zhong Shan Qun	XTC Company	Director	Sep 2005 – Now
	Shenzhen International	Vice President	Jun 2007 – Jan 2015
		Executive Director	Jan 2015 – Now
He Sen	GDRB Company	Minister of Financial Management Department	Nov 2009 – Now
The description of position in shareholder entities	In addition to abovementioned main positions in shareholders entities, Director Hu Wei, Li Jing Qi, Zhao Jun Rong, Tse Yat Hong, Zhang Yang and Supervisor Zhong Shan Qun and He Sen are also concurrently serving as a Director or Supervisor in some unlisted subsidiaries or investee companies of the relevant shareholders entities.		

## Directors, Supervisors, Senior Management and Employees

### 2. Positions in Other Entities

In addition to the described in above biography, the main positions of the Directors, Supervisors and senior management holding in other entities include:

Name	Name of other entity	Position	Term
Li Jing Qi	CSG Holding Co., Ltd.	Director	May 2000 – Dec 2015
Tse Yat Hong	Casablanca Group Limited	Independent Director	Oct 2012 – Mar 2015
	China Huirong Financial Holdings Limited	Independent Director	Oct 2013 – Now
Zhang Yang	Jilin Expressway Co., Ltd.	Vice Chairman	Feb 2010 – Now
	Jiangsu Expressway Co., Ltd.	Director	Nov 2007 – Now
	Henan Zhongyuan Expressway Co., Ltd.	Director	Nov 2009 – Now
Lin Chu Chang	China Zhongsheng Resources Holdings Limited	Independent Director	Apr 2012 – Now
Hu Chun Yuan	Gemdale Properties and Investment Corporation Limited	Independent Director	Nov 2012 – Now

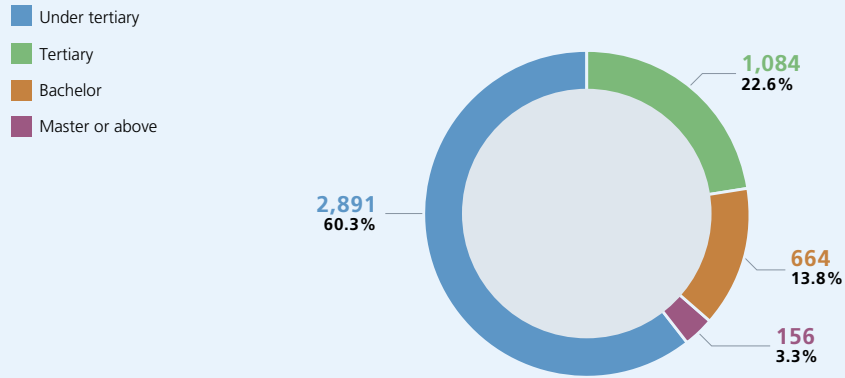
### III. Basic Information of Employees and Human Resource Management

#### 1. Basic Information of Employees:

Amount of employees in the parent company	1,180
Amount of employees in main subsidiaries	3,615
<b>The total amount of employees</b>	<b>4,795</b>
Amount of retired employee for whom the parent company and main subsidiaries shall bear retirement costs	0

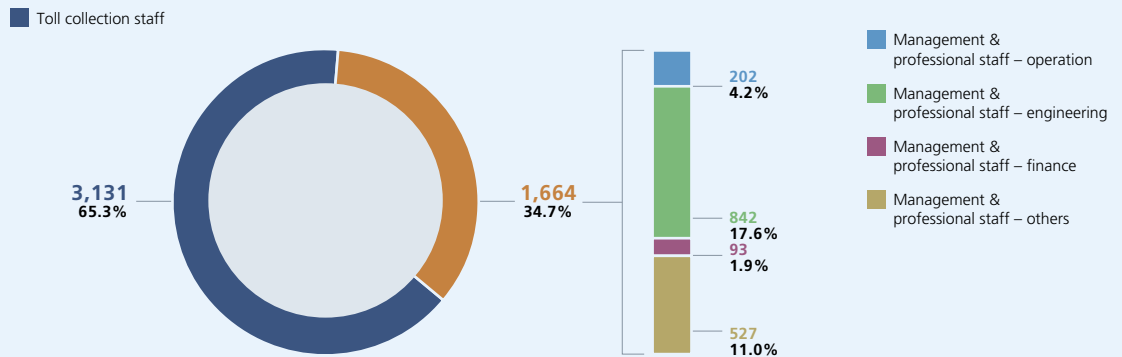
At the end of the Reporting Period, among the employees of the Group (including the Company and its consolidated subsidiaries), 3,131 were toll collection staff, representing 65.3% of total number, while 1,664 were management and professional staff, including staff of operation, engineering, finance and other series, representing 34.7% of the total number. The structure of profession of the Group's staff is as follows:

### The Educational Level of the Group's Staff



Among the employees of the Group, 39.7% held tertiary or above qualifications, of which 87.1% of the management and professional staff held tertiary or above qualifications. The educational level of the Group's staff is as follows:

### The Structure of Profession of the Group's Staff



## Directors, Supervisors, Senior Management and Employees

### 2. Remuneration Policies

#### *Remuneration Policies of the Directors/Supervisors:*

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

According to the proposed plans approved by the general meeting, Independent Directors and Director who were not nominated by the shareholders of the Company received Directors' emoluments, and the Company would not separately determine or pay any additional emoluments to the Directors and the Supervisors who are entitled to receive management remuneration in the Company or shareholder entities. All Directors and Supervisors are entitled to obtain meeting subsidy for the meetings as stipulated. During the Period, the proposal for the remuneration of the members of the Board and the Supervisory Committee was strictly implemented as approved by the general meeting.

#### *Remuneration and Benefits Policies:*

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

Pursuant to statutory requirements, the Group has participated in an employee retirement scheme organised by the local government authorities (social pension insurance) and the Housing Provident Fund Plan, and has adopted various protection plans such as medical insurance, work injury insurance, and unemployment insurance for its employees. According to the relevant regulations, the Group is required to pay contributions equivalent to a certain percentage of the employee's aggregate salary (subject to the required maximum cap) to the labor and social security authorities and housing provident fund management center respectively as social insurance contributions for items such as pension and medical insurance and housing provident fund expenses. Moreover, the Company has made regular enterprise annuity payments (supplemental pension insurance) for its management personnel and key technical staff members. As at 31 December 2015, the Group has a total of 40 retired staff. The registration procedures in relation to their retirement have been completed through Shenzhen or local social security authorities, and there is no obligation for the Group to bear the retirement costs. For details of the remuneration and benefits for employees during the reporting period, please refer to note V18 to the Financial Statements in this annual report.

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

*Performance Evaluation and Incentive System:*

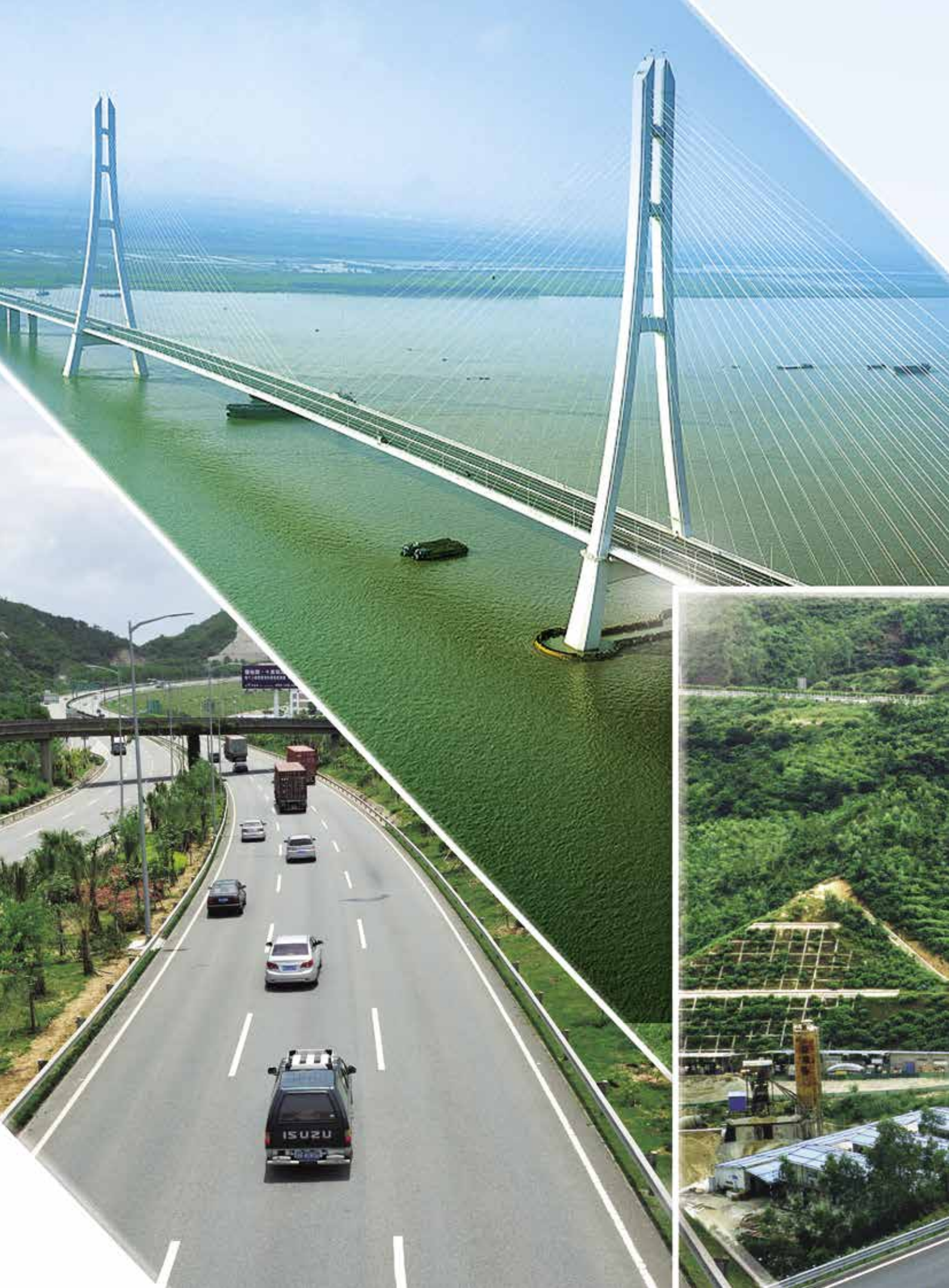
The Board determines the Company's annual operating performance targets at the each year and sets out clear and concrete rating criteria as the basis for year-end appraisals on the overall performance of the Executive Directors and the management of the Company. During 2015, the Company determined its key performance targets in four aspects, namely finance, customers, internal process and learning and maturity, and included nine key goals, namely the return on shareholders' equity, net profit, operating revenue, profit to cost ratio, customers' satisfaction, project construction and new business expansion, key work promotion, safety production and material risk control and employees' satisfaction.

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

The purpose of the Incentive Scheme is to further establish and improve long-term corporate incentive systems of the Company, attract and retain talent, fully mobilise the motivation of senior management members, middle and core management and key technicians of the Company, effectively tying the interests of the Shareholders, the Company and the management of the Company and enabling the respective parties to become aware of the Company's long-term development, and to promote the realisation of the development strategies of the Company. Company has formulated the protocol of the A share restricted Incentive Scheme in January 2016, this protocol will take effect after the approval of the shareholders' meeting. According to the protocol of restricted Incentive Scheme, Company intends to grant 75 incentive objects 17.19 million shares. For details, please refer to the Announcement and Disclosure Document of the Company dated 15 January 2016.

### **3. Staff Training**

The Company values staff training and has established the training system based on job competency. At the beginning of each year, according to the actual needs of the businesses and staff, the Company formulates the training plan to guide the training work of the year, with summary and review conducted at the end of the year. In 2015, the Company and its departments have organised 49 training sessions, which covered all business segments of the Company, including general management, operating management and professional skills. The training hours totalled 13,509 hours, with 2,436 person-times participation and covering staff of all levels from toll collection staff to senior management.





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# Corporate Governance Summary

## I. The Description of the Overall Corporate Governance

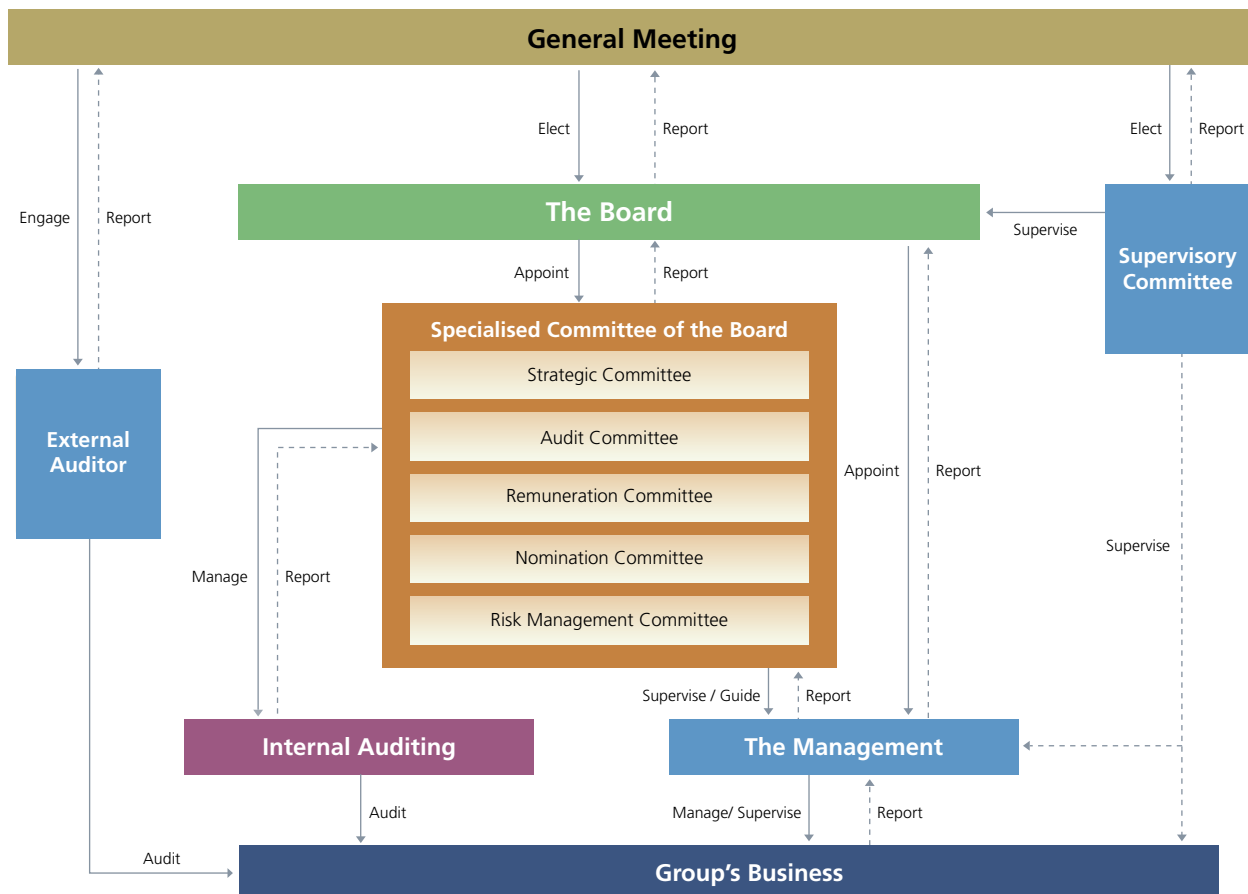
Sound corporate governance enables the Company to achieve healthy and stable development. The Company has always been committed to perfecting its governance structure, establishing and improving operational principles and improving the effectiveness of governance continuously.

The Company is listed on both SSE and HKEx. We have to comply with the applicable laws and regulatory requirements for securities regarding the practice of corporate governance of both places. During the Reporting Period, the Company complied with the Company Law and the relevant requirements issued by China Securities Regulatory Commission. We have also fully adopted all the code provisions of the "Corporate Governance Code" as set out in Appendix 14 of the Listing Rules of HKEx and there is no material deviation or breach of the code provisions occurred. For corporate governance practice, we implement better practices than the code provisions under the "Corporate Governance Code" of HKEx. Please refer to "Corporate Governance Report" in this annual report for the compliance with the "Corporate Governance Code".

## II. Corporate Governance Structure and Rules

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

**Governance Structure of Shenzhen Expressway**



The key documents of governance rules of the Company include Articles of Association and its appendices (Rules of Procedures for the Shareholders, Rules of Procedures for the Board of Directors and Rules of Procedures for the Supervisory Committee), Terms of Reference of various committees, Rules on Performing Duties by the Independent Directors, Rules on Performing Duties by the President, Securities Transaction Code, Rules Governing Information Disclosure Matters, Rules Governing Investor Relationship Management, Rules Governing Insider Information, and Rules Governing Connected Transactions etc., all of which can be found or downloaded in the section of "Corporate Governance" on the Company's website.

*The implementation of the management system of insiders:*

The Company attaches great importance to the observance and compliance of the Directors, Supervisors and senior management and forbids any insider trading of the shares of the Company. The Company has established various systems including Securities Transaction Code, Rules Governing Insider Information Management, and Code of Conduct in Relation to Information Disclosure to Shareholders so as to enhance the secrecy management of the inside information, regulate insider trading of the shares of the Company and protect the Company's interest and the principle of equality for information disclosure. During the year, the Company has completed the insiders' registration in relation to the regular reports and material contracts pursuant to relevant regulations.

### III. Information on General Meetings

During 2015, two general meetings were held by the Company at the conference room of the Company. Details of the general meetings are as follows:

Name of the meeting	Convening date	Name of the resolutions	Results
The 2014 Annual General Meeting	15 May 2015	The report of the Board of Directors for the year 2014; The report of the Supervisory Committee for the year 2014; The audited financial report for the year 2014; The profit distribution plan of profits for the year 2014; The budget report for the year 2015; The reappointment of the auditor of the Company for the year 2015; The resolution in relation to the grant of a general mandate to the Board of Directors of the Company to issue financing instruments such as bonds (Special Resolution).	Passed
The First Extraordinary General Meeting 2015	20 August 2015	The resolution in relation to the provision of a guarantee by Mei Wah Company for the USD Debentures to be issued by its wholly-owned subsidiary.	Passed

Note: The above resolutions of the general meetings are available on the website of SSE at <http://www.sse.com.cn>, the website of HKEx at <http://www.hkexnews.hk> and the website of the Company at <http://www.sz-expressway.com> and <http://www.sz-expressway-ir.com.hk> (for H Shares).

## Corporate Governance Summary

### IV. The Performance of Duties of the Directors

#### (I) Attendance of Directors at the Board Meetings and the General Meetings in 2015

Name	The service in 2015	The total number of meetings	Attendance in person	Attendance at the Board Meetings				Attendance at the General Meetings
				Among which: attendance at the meetings by way of telecommunication <sup>Note</sup>	Attendance at the meetings by proxy	Frequency of absence	Absence from two successive meetings	Attendance at the general meetings
Hu Wei	Executive Director	10	10	0	0	0	No	2
Wu Ya De	Executive Director	10	10	0	0	0	No	2
Wang Zeng Jin	Executive Director	10	10	0	0	0	No	2
Li Jing Qi	Non-executive Director	10	8	0	2	0	No	1
Zhao Jun Rong	Non-executive Director	10	8	0	2	0	No	0
Tse Yat Hong	Non-executive Director	10	8	3	1	1	No	2
Zhang Yang	Non-executive Director	10	8	4	2	0	No	2
Chiu Chi Cheong, Clifton	Non-executive Director	10	6	0	4	0	No	0
Au Sing Kun	Independent Director	10	9	0	1	0	No	2
Lin Chu Chang	Independent Director	10	8	3	2	0	No	1
Hu Chun Yuan	Independent Director	10	9	1	1	0	No	1
Shi Xian Liang	Independent Director	10	8	2	2	0	No	1

Note: According to the Articles of Association of the Company, Directors who attend a meeting by way of telecommunication devices such as telephones will be deemed as attending the meeting in person.

## (II) Attendance of Directors at the Meetings of the Specialised Committees in 2015

Name	Title held in the specialised committees	Attendance (Attendance in person/Total number of meetings)					
		Strategic Committee	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee	Independent Director Meetings
Hu Wei	Chairman of Strategic Committee Member of Nomination Committee	1/1	<sup>(1)</sup> 3	<sup>(1)</sup> 1	2/2	<sup>(1)</sup> 1	N/A
Wu Ya De	Member of Strategic Committee	1/1	<sup>(1)</sup> 5	<sup>(1)</sup> 2	<sup>(1)</sup> 2	<sup>(1)</sup> 1	N/A
Wang Zeng Jin	Member of Remuneration Committee	<sup>(1)</sup> 1	N/A	2/2	<sup>(1)</sup> 1	N/A	N/A
Li Jing Qi	Member of Strategic Committee	1/1	N/A	N/A	N/A	N/A	N/A
Zhao Jun Rong	Member of Strategic Committee	1/1	N/A	N/A	N/A	N/A	N/A
Tse Yat Hong	Member of Risk Management Committee	<sup>(1)</sup> 1	N/A	N/A	N/A	3/3	N/A
Zhang Yang	Member of Risk Management Committee	<sup>(1)</sup> 1	N/A	N/A	N/A	3/3	N/A
Chiu Chi Cheong, Clifton	Member of Audit Committee Member of Remuneration Committee	N/A	3/5	<sup>(2)</sup> 0/2	N/A	N/A	N/A
Au Sing Kun	Chairman of Risk Management Committee Member of Remuneration Committee Member of Audit Committee	<sup>(1)</sup> 1	5/5	2/2	N/A	3/3	2/2
Lin Chu Chang	Member of Strategic Committee Member of Nomination Committee	1/1	N/A	N/A	2/2	N/A	<sup>(2)</sup> 0/2
Hu Chun Yuan	Chairman of Audit Committee Member of Remuneration Committee	<sup>(1)</sup> 1	5/5	2/2	N/A	N/A	2/2
Shi Xian Liang	Chairman of Remuneration Committee Chairman of Nomination Committee	<sup>(1)</sup> 1	N/A	2/2	2/2	N/A	2/2

Note:

(1) Observed at the meeting.

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

## Corporate Governance Summary

### (III) The Performance of Duties of Independent Directors

On 30 November 2015, Lin Chu Chang, an Independent Director, voted against the Proposal for Participation in the Capital Increase of the Bank of Guizhou at the eighth meeting of the seventh session of the Board as he was in the opinion that the valuation of the subject was exceptionally high and lack of reasonable discount as well as risk management measures. The full text of the dissenting opinions of Lin Chu Chang, an Independent Director, has been recorded in the minutes. Apart from the above, during the Reporting Period, the Independent Directors gave no dissent to the resolutions/matters discussed by the Board or specialised committees of the Company. In 2015, no Independent Director of the Company proposed to convene any Board meeting and general meeting or publicly collect voting rights from the shareholders. During the year, four Independent Directors of the Company have provided independent advice on matters such as annual review on the Company's external guarantees, profit distribution plan, changes in accounting estimates, engagement of senior management, connected transactions and continuing connected transactions according to the regulatory requirements and guidelines, and provided constructive opinion on the business development, strategic plans and management of investor relations of the Company, in order to protect the overall interests of the Company and shareholders by duly performing its monitoring and balancing role. For the details of performance of duties of the Independent Directors during the year, please refer to the "2015 Duty Report of the Independent Directors (2015年度獨立董事述職報告)" (Chinese version) published on the websites of the exchanges on the Reporting Date.

## V. The Performance of Duties of Specialised Committees of the Board during the Year

The Board of the Company established five specialised committees, namely Strategic Committee, Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee. Members of the specialised committees are appointed by the Board. Each session has a term of three years, consistent with the term of the Board. Each committee has its terms of reference which explicitly explain and define their duties and powers and they have been approved by the Board. In 2015, the specialised committees of the Board convened 13 meetings in total. For the composition of each specialised committee and the attendance at the committee meetings, please refer to "The Performance of Duties of the Directors" above.

### (I) Strategic Committee

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

In 2015, the Strategic Committee held one meeting, in which the committee was informed of and summarised the progress of the specific implementation and execution of the development strategies for 2010-2014 and analysed the progress of fulfilment of strategic goals; was informed of the plans on development strategies for 2015-2019 and conducted an in-depth analysis and discussion on the preliminary outcome from the research on the new development strategies, including the concrete planning on overall strategies, overall tactics, guidelines on implementation of strategies, strategic goals as well as material matters and plans in relation to the implementation of strategies.

### (II) Audit Committee

The Audit Committee was established in August 1999. It is mainly responsible for the independent review on the Company's financial reporting and the quality and efficiency of internal regulation as well as the control and routine management work of connected transactions of the Company.

In 2015, the Audit Committee held five meetings in total, and conducted the work actively and performed its duties according to the performance goals set in the beginning of the year, reviewed the regular reports, internal control reports and specific audit reports of the Group, and provided the Company with its professional opinions and suggestions on various aspects including the financial reports, relevant accounting policies and estimates, audit work, corporate governance, risk management and internal control. During the year, auditors attended all meetings of the

Audit Committee to discuss the matters in relation to the review of regular reports. In addition, auditors also held one independent meeting with the committee in the absence of management of the Company to ensure the independence and objectivity of the reports. The major tasks of the committee for the year included:

- ◆ periodical review of the Group's financial statements, including the annual financial statements of 2014 and the unaudited financial statements for the first quarter, interim and the third quarter of 2015, and making recommendation to the Board for approval;
- ◆ assisting the Board in making independent evaluations on the effectiveness of the Group's internal control;
- ◆ supervision and guidance for the internal auditing work;
- ◆ supervision on control and routine management work of connected transactions;
- ◆ supervision and guidance for the Group's anti-fraudulent work;
- ◆ coordination and evaluation of the work of auditor and recommendations for appointments.

The financial reporting, the review on financial statements, the internal control and relevant work of auditor as well as the opinions on the above matters are set out in "Corporate Governance Report" and "Internal Control" in this annual report. For the details of the annual of duties of the Audit Committee, please refer to the "2015 Duty Report of the Audit Committee (審核委員會2015年度履職情況報告)" (Chinese version) published by the Company on the websites of the exchanges on the Reporting Date.

### (III) Remuneration Committee

The Remuneration Committee was established in November 2001. The committee is responsible for assisting the Board to review the remuneration policies and incentive mechanism of the Company on an ongoing basis, devising the appraisal standards for the Directors and senior management of the Company, and conducting appraisals thereof, and ensuring that none of the Directors, senior management or their associates is allowed to set his/her own remuneration. The committee only makes recommendations to the Board regarding the remuneration of the Directors, and the remuneration of the Directors and senior management shall be specifically determined in general meetings or by the Board.

In 2015, the Remuneration Committee held two meetings, and its major tasks completed in the the year included:

- ◆ evaluating the operating performance of the management and the Executive Directors for 2014, reviewing the relevant incentive proposal of the management and the Executive Directors, and submitting the appraisal results and review opinions to the Board;
- ◆ reviewing the remuneration disclosure proposal for 2014 for the Directors and senior management;
- ◆ reviewing the formulation of the operating performance target of the Company for 2015 and giving the review opinions.

The Remuneration Committee held two meetings in early 2016 (up to the Reporting Date) and submitted the proposals in respect of the implementation of Restricted A Shares Incentive Scheme by the Company, assessed and evaluated the operating performance of the management and Executive Directors for 2015, and reviewed the annual remuneration disclosure proposal for the Directors and senior management, and concluded that the relevant disclosure met the regulatory requirements of securities. Details of the remuneration policies and incentive mechanism of the Company and the relevant recommendations of the committee are set out in the section of "Directors, Supervisors, Senior Management and Employees" in this annual report.

## Corporate Governance Summary

### (IV) Nomination Committee

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

In 2015, the Nomination Committee held two meetings, the major tasks completed during the year included:

- ◆ reviewing the structure, number of members and composition of the Board;
- ◆ listening to the adjustment report from the representatives of investee companies;
- ◆ reviewing the assessment report regarding terms of office and recommendations for appointment of the senior management, and providing recommendations on the appointment of the senior management to the Board.

Details of the appointment of the senior management of the Company are set out in the section of "Directors, Supervisors, Senior Management and Employees" in this annual report.

### (V) Risk Management Committee

The Risk Management Committee was established in August 2004. The Committee is responsible for formulating policies on risk management of the Company, ensuring that the management has established a comprehensive and effective risk management system, supervising the Group's overall risk position, reviewing the Company's risk management system and material risk matters, and analysing and monitoring the risk position of the Company's material projects.

In 2015, the Risk Management Committee held three meetings in total, and actively conducted its work and performed its duties according to the performance goals set in the beginning of the year, reviewed and planned for the Group's risk management works, and provided the Company with its professional advice and recommendations on various aspects including risk warning indicators and risk assessment for investment projects. Its major tasks completed during the year include:

- ◆ reviewing the annual risk review report and risk management plans of the Group, understanding the changes of the risk of the Company and the implementation of risk responsive measures, and discussing the major risks faced by the Company in the future and responsive measures with the management;
- ◆ reviewing the updates of the financial warning indicator system and monitoring the material changes thereof;
- ◆ reviewing the material investment projects of the Company and providing opinions and recommendations to the Board from the aspect of risk control.
- ◆ proposing to revise the Terms of Reference of the Risk Management Committee.

## VI. The Work of the Supervisory Committee

In 2015, the Supervisory Committee held six meetings in total, and the supervisors also attended all of the general meetings and Board meetings. They considered the matters including the regular reports, financial accounts and budget reports, proposed profit distribution, changes in accounting estimates and connected transactions of the Company, and supervised the legality and compliance of the decision-making procedures in the general meetings and Board meetings, the implementation of the resolutions in the general meetings, the implementation of the Company's profit distribution policy, the disclosures of regular reports and other information, the performance of duties by the Directors and senior management and the implementation of relevant securities regulatory requirements. During the Reporting Period, there was no incident about which the supervisors disputed with the Directors or sued the Directors on behalf of the Company. The Supervisory Committee has no objection to the matters under their supervision during the Reporting Period.



# Corporate Governance Report

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 of HKEx and there is no material deviation or breach of the code provisions occurred. For corporate governance practice, we implement better practices than the code provisions under the “Corporate Governance Code” of HKEx, mainly in the following aspects:

- ☑ The stipulation on the terms of office for Independent Directors of no more than 6 years;
- ☑ Disclosure of the remunerations of all Directors, Supervisors and senior management on a named basis in the annual report;
- ☑ Appointment of an external auditor for the audit of the internal control of the financial reporting;
- ☑ Preparation and publication of quarterly results announcements;
- ☑ Provision of an independent channel for the Audit Committee to obtain information on fraudulent risk;
- ☑ Establishment of the Risk Management Committee, the risk control and management system for the Group as well as financial risk warning system to exercise regular control and reporting by the Company.

Pursuant to the good corporate governance principles contained in the “Corporate Governance Code”, the evaluation and details of the daily governance work and practices of the Company during the Reporting Period are set out as follows:

## A. Directors

### A.1 The Board

The code provisions that we complied with

A.1.1-A.1.8

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

The Board holds one regular meeting each quarter and convenes ad hoc meetings when necessary. The Company has issued a written notice to all Directors in respect of the date and the resolutions to be proposed 30 days before the regular meeting is convened, so as to ensure that they can propose issues to be discussed and to put forth in the agenda. Formal notices of all regular meetings have been dispatched to all Directors at least 14 days before the meeting is convened, while notices of ad hoc meetings have been dispatched at least 5 days before the meeting is convened. If a substantial shareholder or a Director has material conflict of interest in the issues to be discussed, the Company shall hold a plenary Board meeting for consideration of such resolution and shall not approve the same by a written resolution or authorisation. When considering the related issues, any Director who is affiliated with or interested in the same shall not have any voting rights and shall be absent when necessary.

In 2015, the Board convened ten plenary meetings to discuss and make decisions on issues covering the Group’s operating and financial performance, planning and supervision, business development and challenges, investment and financing plans, changes in accounting estimates, connected transactions and appointment of senior management, and review and evaluate the implementation of the Company’s strategies, and considered and approved “2015-2019 Development Strategies”. During the year, the Board considered three connected transactions, and the directors of Shenzhen International Group had complied with the Avoidance Principle and waived their voting rights.

## Corporate Governance Report

The meeting minutes of the Board and Board committees contain the details of the discussing matters in the meeting, which includes the factors taken into consideration by various Directors, the questions proposed or the objection and the decision made. The draft of the meeting minutes should be delivered to various Directors for comments within reasonable time after each meeting. The final version should be maintained properly according to the file management system of the Company and the copy of which should be delivered to various Directors for filing. The meeting minutes are also available for Directors' access at any time through the secretary of the Board.

According to the consideration and decision making needs, the Company may engage the professional institutions including the accounting firms, lawyers and assessment institutions based on the actual situation to issue written report for Directors' review. In addition, in accordance with the Rules of Procedures for the Board of Directors and the relevant requirements, the Directors and the specialised committees may engage professional institutions or professionals through established procedures to obtain professional advice, and the fees so incurred shall be borne by the Company. To ensure the independence of the professional institutions, the specific selection and employment work is conducted by the Independent Directors or Independent Board Committee for the engagement of independent financial advisor for the connected transactions. The employment shall be determined by a majority of votes of the members and the members with connected relationship or conflict of interest shall not constitute a quorum. In 2015, the Independent Board Committee of the Company did not engage any independent financial advisor for recommendation.

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

### A.2 **Chairman and Chief Executive Officer**

The code provisions that we complied with

A.2.1–A.2.9

The Company clearly defines the duties between the Chairman and the President, so that the functions of the Board and management are separated to protect the balance of power and authority. In 2015, the Chairman of the Board of the Company is Hu Wei, while the President is Wu Ya De. There is no affiliation or interest relationship between the Chairman and the President, including financial, business, family or any other related relationships. The Chairman is responsible for taking charge and coordinating the operation of the Board, providing leadership in the Board to set the Group's overall development strategies and directions, and to achieve the Group's goals, ensuring the Board functions effectively and assuring good corporate governance practices and procedures for the Company. The President, with the support and assistance of the Board and other senior management of the Company, is responsible for coordinating and managing the Group's business and operation, implementing the strategies laid down by the Board and making day-to-day operating decisions.

The Board has established information reporting and delivery mechanism to ensure that the Directors can obtain various information and messages required for their performance of duties on a timely basis. Please refer to A.7 below for details.

The Board encourages the Directors to maintain a prudent and doubtful attitude as expected, to build an open-minded discussion atmosphere to encourage any dissenting Directors to fully express their point of views, and to motivate the Directors, especially Non-executive Directors to have effective contributions in the Board. During 2015, the Chairman of the Company and the Non-executive Directors convened a meeting to handle the matters that are not required to be discussed by them during the meetings of Non-executive Directors. The Company has set up a well-established governance structure and formulated multi-tier governance rules. Please refer to "Corporate Governance Summary" and D.3 below in this annual report for details.

The Company has been complying with the principle of equal treatment of all investors, and established a smooth communication channel with investors while observing various regulations relating to information disclosure by maintaining an effective two-way communication with investors through various channels. Please refer to "Investor Relations" and E.1 below for details.

### A.3 **The composition of the Board**

The code provisions that we complied with

A.3.1–A.3.2

According to the requirements of the Articles of Association, the Board of the Company comprises 12 Directors and it regularly evaluates its structure, number of members and composition (including their skills, knowledge, experience, etc.) through the Nomination Committee.

As at 31 December 2015, the Board comprises Hu Wei, Wu Ya De, Wang Zeng Jin as Executive Directors, Li Jing Qi, Zhao Jun Rong, Tse Yat Hong, Zhang Yang, Chiu Chi Cheong, Clifton as Non-executive Directors, and Au Sing Kun, Lin Chu Chang, Hu Chun Yuan, Shi Xian Liang as Independent Non-executive Directors. The current Board is the seventh session of the Board of the Company and the term of the Directors is from 1 January 2015 to 31 December 2017. The Board members come from various industry backgrounds with professional expertise in highway industry, financial, accounting and auditing, finance and securities, law, property development and administration and human resources, and three of them (including one Independent Director) possess professional financial and accounting qualifications. The members of the Board have various industry backgrounds and maintained diversity in terms of various aspects including experience, skills and judgment, allowing the Board to analyse and discuss issues from different perspectives and making decisions in a more cautious and careful manner.

The Board of the Company comprises four Independent Directors, representing one-third of the number of member of the Board, which complies with the relevant requirements. The Board has obtained written confirmations from all Independent Directors concerning their independence in accordance with the requirements under Rule 3.13 of the Listing Rules of HKEx. The Company believes that the Independent Directors have all complied with the relevant guidelines as stipulated in such rule and are regarded as independent parties during 2015.

For the details of the Directors' biographies, terms of office and key positions are set out in "Directors, Supervisors, Senior Management and Employees" of this annual report.

### A.4 **Appointment, re-election and removal**

The code provisions that we complied with

A.4.1–A.4.3

In accordance with the stipulations of the Articles of Association and its attachments, Directors are elected or replaced by general meetings. The shareholders of the Company, the Board or the Supervisory Committee are eligible to nominate candidates for directorship. Directors serve for a term of 3 years, and upon expiry of the term, their appointments are subject to re-submission for consideration at a general meeting and they may offer themselves for re-election. Independent Directors are eligible for re-election, subject to a maximum term of 6 years. A cumulative voting system is adopted for the election of the Directors of the Company, and the Independent Directors and Non-independent Directors vote separately. The requirements of the Company on the qualifications and basic qualities of the Directors, the ways of nomination and the proposing procedures are set out in the Rules of Procedures for the Board of Directors of the Company. The Nomination Committee is responsible for qualification inspections and quality assessments on the candidates for directorship, as well as making proposals to the Board and providing explanations at the general meetings. In order to make the shareholders have a better understanding of the procedures of nomination of Directors, the Company has extracted the relevant clauses for the procedures of nomination of Directors separately and has posted them on the Company's website.

## Corporate Governance Report

### A.5 *Nomination Committee*

The code provisions that we complied with

A.5.1–A.5.6

The Board has established the Nomination Committee with the majority being Independent Directors, and chaired by an Independent Director. Please refer to D.2 below and the “Overview of Corporate Governance” in this annual report for the details of the composition of the Nomination Committee and its performance of duties. The Terms of Reference of the Nomination Committee approved by the Board has been published on the websites of the exchanges and the Company. The Company provides the committee with sufficient resources for its performance of duties. During the year, the Nomination Committee did not seek for independent professional advice for the performance of duties.

The Company has established the Board diversity policy. Under the policy, the Board shall opt for the the capability of all the Director candidates during the selection, evaluation and nomination of its members. It shall also take full consideration of the actual situation and development needs of the Company and follow the diversity principle when forming the Board. The Board shall consider and assess the diversification of members in the aspects of age, cultural background, educational background, professional experience and expertise and the length of service, and authorise the Nomination Committee to oversee the implementation of the policy, and when appropriate, review the policy, and expand and review measurable targets. After the review, the members of the seventh session of the Board demonstrated the diversify principle particularly well in the aspects of professional experience and background, length of service, age, cultural background and independence.

### A.6 *The responsibilities of Directors*

The code provisions that we complied with

A.6.1–A.6.8

The Rules of Procedures for the Board of Directors, the Terms of Reference of each specialised committees and the Rules on Performing Duties by the Independent Directors prepared by the Company has clearly stated the responsibilities of the Directors to ensure their complete understanding on their roles and responsibilities.

Attendance of Directors (including attendance by appointing other Directors as proxies) at the Board meetings in 2015 was 99.2%, while attendance in person was 85%. Attendance of members in person at the meetings of the specialised committees of the Board (including the meetings of the Independent Directors) was 88.7%. Attendance of members in person at the general meetings was 66.7%. Please refer to the “Overview of Corporate Governance” in this annual report for the details of the attendance of Directors and the overview of the performance of duties in the year of the Independent Directors.

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

Upon the acceptance of the appointment and after the appointment, each Director and Supervisor of the Company have to provide the information about their services in other companies in time, including their services in other listed companies for the last three years. The relevant information has been disclosed in the announcements and the shareholder documents relating to the nomination and election of the Directors/Supervisors, and is available in the section of “Directors, Supervisors, Senior Management and Employees” in this annual report.

In accordance with Appendix 10 to the Listing Rules of HKEx titled “Model Code for Securities Transactions by Directors of Listed Issuers” and the relevant requirements of domestic securities regulatory authorities, the Board formulated the “Securities Transaction Code” of the Company as a written guideline for securities transactions of the Company by the Directors, the Supervisors and relevant staff members. The “Securities Transaction Code” of the Company has incorporated the standards as set out in Appendix 10 to the Listing Rules of HKEx, and has gone beyond such

standards to certain extents. After making specific enquiry to all of the Directors, Supervisors and senior management, the Company confirms that all of them have complied with the standards on securities transactions as stipulated in the aforementioned code during the Reporting Period.

In 2015, according to their respective circumstances, the Directors/Supervisors of the Company participated in the training sessions on specific topics arranged by the Company and the training courses held by securities regulatory authorities. In addition, the Company prepared six issues of "Reference Document Summaries of the Board" and sent approximately 40 regulatory documents relating to various laws and regulations of the listed company and industry to the Directors/Supervisors. It also provided explanations, advice and interpretations on the key points of the relevant rules and the matters to be brought to the attention of the Directors/Supervisors through document guidance and explanation on the meetings. The above measures allow the Directors/Supervisors to update the knowledge and information required on an ongoing basis to ensure their performance of duties. The details for the participation in training programs of Directors/Supervisors in 2015 are set out as follows:

Name	Title	Training programs attended in 2015		
		Directors' liabilities of listed companies	Updates of Listing Rules and regulations	Practice of corporate governance/financial/finance/management and related issues
Hu Wei	Executive Director	√	√	√
Wu Ya De	Executive Director	√	√	√
Wang Zeng Jin	Non-executive Director	√	√	√
Li Jing Qi	Non-executive Director	√	√	√
Zhao Jun Rong	Non-executive Director	√	√	√
Tse Yat Hong	Non-executive Director	√	√	√
Zhang Yang	Non-executive Director	√	√	√
Chiu Chi Cheong, Clifton	Non-executive Director	√	√	√
Au Sing Kun	Independent Director	√	√	√
Lin Chu Chang	Independent Director	√	√	√
Hu Chun Yuan	Independent Director	√	√	√
Shi Xian Liang	Independent Director	√	√	√
Zhong Shan Qun	Supervisor	√	√	√
He Sen	Supervisor	√	√	√
Fang Jie	Supervisor	√	√	√

#### A.7 Provision and use of information

The code provisions that we complied with

A.7.1-A.7.3

The management of the Company has provided the Board, the specialised committees of the Board and the Supervisory Committee with the materials and information necessary for the consideration of each resolution within a reasonable period. After the Directors/Supervisors have raised reasonable enquiries, the management shall make response or provide further information as soon as possible. Under normal circumstances, the relevant documents containing the matters to be proposed for consideration and discussion on the Board shall be delivered to all Directors and Supervisors at least three days before the meetings. In addition, each Director and Supervisor are provided with channels to independently contact and communicate with the Company's senior management and secretaries of the specialised committees when necessary.

## Corporate Governance Report

Non-executive Directors (including Independent Directors) and Supervisors are able to understand the Company's operation activities, business development trend and the duties as the Company's Directors/Supervisors through several channels to ensure their proper performance of such duties. In 2015, the Company supported the performance of duties of the Directors/Supervisors through the following approaches:

- ◆ arranged the management to report the progress of the material matters of the Group on the meetings of the Board;
- ◆ arranged the presentation of the works for the year to provide a detailed report on the completion of the Group's works in 2014 and the work plan in 2015, as well as the progress of the major works and projects including Qinglian Expressway and Meilin Checkpoint Urban Renewal Project;
- ◆ organised on-site visits to understand the construction and operation of Guilong Project and relevant businesses, allowing the Directors/Supervisors to have an in-depth understanding on the operating environment and performance of the Company and specific projects;
- ◆ dispatched "Operation Information Monthly" every month, which regularly reports information such as the operation performances of highway projects, progress of construction projects and major works, updates on investee companies, monitoring of the early warning indicators of financial risks and work progress during adjournments of Board meetings;
- ◆ published five issues of "Market News Briefings" and four issues of "Quarterly Analysis Report on Investor Relations", assisting the Directors/Supervisors to understand in time the news of the Company and other listed companies in the same industry, the regulatory trends and developments, the market performance and the share price performance;
- ◆ organised two trainings on specific topics and arranged Independent Directors to participate in the follow-up training of assumption of duty held by securities regulatory authorities, arranged Executive Directors to participate in the training of assumption of duty held by securities regulatory authorities and provided "Manual of Directors/Supervisors" for all members of the Board/Supervisory Committee, allowing them to understand the operation of the Company and the domestic and international rules and principles relating to governance in a comprehensive and systematic manner.

### B. The Remunerations of Directors and Senior Management and Appraisal of the Board

#### B.1 Standard and composition of remuneration and its disclosure

The code provisions that we complied with	B.1.1~B.1.5
The recommended best practices that we complied with	B.1.6~B.1.8

The Board has established the Remuneration Committee comprising Non-executive Directors, with the majority being Independent Directors and chaired by an Independent Director. Please refer to D.2 below and the "Overview of Corporate Governance" in this annual report for the details of the composition and performance of duties of the Remuneration Committee. The Terms of Reference of the Remuneration Committee approved by the Board has been published on the websites of the exchanges and the Company. The Company provides the committee with sufficient resources for its performance of duties. During the year, the Remuneration Committee did not seek for independent professional advice for the performance of duties.

The Company has disclosed the remunerations of all Directors, Supervisors and senior management on a named basis. Please refer to “Directors, Supervisors, Senior Management and Employees” of this annual report for the details of the remuneration policy of the Directors, the appraisal and incentive mechanism of the senior management and the remuneration of the management for the year.

## C. Accountability and Audit

### C.1 Financial reporting

The code provisions that we complied with	C.1.1~C.1.5
The recommended best practices that we complied with	C.1.6~C.1.7

In the regular financial reporting over the years, the Board made efforts to comply with the requirements of the relevant laws and the Listing Rules and prepare necessary documents and disclosed information under the principle of as more and strict as possible so as to fit the regulatory requirements of both Shanghai and Hong Kong markets. On this basis, the Company took the initiative to understand what the investors focused on, carried out more targeted voluntary information disclosures, striving to make comprehensive, objective, fair and clear statements on status and prospects of the operation and management of the Group. Other than a deep and comprehensive analysis on the operational and financial positions and the major factors affecting the business performance, the Company also provided the information in relation to the risks that our business faced in operating activities, responsive measures, development strategies and plans, etc. in annual reports to enhance investors’ understanding on the Company’s business, management and development trends. The Company has also prepared and published reports on quarterly results within 30 days upon the conclusion of the first quarter and the third quarter each year in compliance with the requirements of the CSRC and the SSE. The Board shall be able to assess the Company’s performance and make decisions after fully understand the required information. Please refer to A.6 and A.7 above for the details of the provision and support of the information.

#### Statement of the Responsibilities towards the Financial Statements by the Board:

The financial statements contained in this annual report were prepared in accordance with CASBE, and have been audited by the Company’s auditor for the year – PricewaterhouseCoopers Zhong Tian LLP (hereinafter “PwC Zhong Tian”). This statement intends to make clarification to our shareholders for the respective responsibilities of the Directors and the auditor of the Company in relation to the financial statements. It should be read together with the statement of responsibilities of the auditor set out in the Auditor’s Report of this annual report.

It is in the Board’s opinion that the financial statements were prepared on a going concern basis given that the resources available to the Company are sufficient for carrying out ongoing business operations in the foreseeable future. Appropriate accounting policies have been adopted in preparing the financial statements. These policies have been consistently applied in the preparation of the financial statements and supported by reasonable and prudent judgments and estimates, and they are in accordance with all accounting standards as the Board deems appropriate. It is the responsibility of the Directors to ensure that the accounts records prepared by the Company can reflect a reasonable and accurate view of the Company’s financial positions and that the financial statements are in compliance with the requirements of relevant accounting standards.

## Corporate Governance Report

Under the authorisation granted by the Board, the Audit Committee is responsible for reviewing and monitoring the quality and procedures of the Group's financial reporting. During 2015, The committee reviewed the periodic financial statements and made recommendation to the Board for approval. The specific works of the committee included the followings:

- ◆ The Committee reviewed the interim and the quarterly financial statements of the Group, received the report on the review from the auditor and discussed the handling methods of significant financial and accounting matters with the management and the auditor.
- ◆ Before the annual audit began: held meetings with the auditor and discussed the composition of its audit team, risks of the year, scope of audit, method of audit, focus of audit and the schedule for the annual audit in order to understand the overall work arrangement of the financial statement of the Company for the year and conducted preliminary reviews and issue opinions in writing for the statements.
- ◆ During the annual audit process: maintained an ongoing communication with the management and auditor and discussed and confirmed over the handling methods of significant financial and accounting matters of the Group, the appropriateness of the accounting policies adopted and the reasonableness of the accounting estimates.
- ◆ The Committee supervised the completion of the annual audit by the auditor as scheduled and reviewed the Group's annual financial statements and provided its written opinions. The Audit Committee held two meetings in early 2016 (up to the Reporting Date) to review the 2015 annual financial statements and annual report of the Group. Based on the results of relevant work and with reference to the audit opinions of the auditor, the Committee is of the view that the Group's 2015 financial statements truthfully and reasonably reflected the operating results and financial position of the Group for the year, and thus recommend the Board to approve the same.

### C.2 Internal control

The code provisions that we complied with	C.2.1~C.2.5
The recommended best practice that we complied with	C.2.7

Having an improved and practical internal control system is the basis of good corporate governance. The Board is responsible for developing and maintaining the internal control system of the Company for the review of the effectiveness of all important control procedures such as finance, operations, compliance and risk management, thereby protecting shareholders' interests and safeguarding the Group's assets. During 2015, the Board carried out reviews on the soundness and effectiveness of the internal control system of the Group and issued a self-assessment report on internal control, the assessment of which has included but not limited to the aspects required by C.2.1~C.2.4 of the code provisions. In addition, the Company has engaged an auditor to audit the effectiveness of internal control relating to the financial reporting of the Company in order to provide independent and objective assessment and recommendation in the form of audit report. Please refer to "Internal Control" in this annual report for the details of the establishment of the internal control and risk management system of the Company, the Statement of the Responsibilities of the Board, the self-assessment, key deficiencies (if any) and the audit.

In August 2000, The Company established the Audit Department, and has carried out an independent internal audit system to review the Group's operating and management activities and the effectiveness of the internal control system. Internal audit personnel have the authority to access all information about the Company and make inquiries to relevant personnel at work. The General Manager of Audit Department directly reports the result of his work to the Audit Committee, and the Audit Committee will then make recommendation to the management of the Company and examine the implementation of the rectification and improvement plan by way of follow-up inspection.



**C.3 Audit Committee**

The code provisions that we complied with	C.3.1~C.3.7
The recommended best practice that we complied with	C.3.8

The Board has established the Audit Committee comprising Non-executive Directors, with the majority being Independent Directors, and chaired by an Independent Director. The Audit Committee is responsible for the review and supervision of the financial accounting policies, financial reporting procedures and reporting quality of the Group; the evaluation of the soundness and effectiveness of the internal control system of the Company, supervision of fraudulent risk and management measures of the Company; responsible for the coordination with the work of the auditor and the evaluation of its efficiency and quality of work as well as its engagement; the review on the internal audit report and evaluation of the feedback from the management; and responsible for the control of connected transaction and daily management of the Company. Works falling under the scope of risk management are handled by the Risk Management Committee under the Board. Please refer to D.2 below and the "Overview of Corporate Governance" in this annual report for the details of the composition of the Audit Committee and Risk Management Committee and their respective performance of duties. The Terms of Reference of the Audit Committee approved by the Board has been published on the websites of the exchanges and the Company. The Company provides the committee with sufficient resources for its performance of duties. During the year, the Audit Committee did not seek for independent professional advice for the performance of duties.

The Board established the Anti-fraudulent Work Regulation and specified the key areas of anti-fraudulent work and the matters including the division of labour, fraud prevention and control, procedures for accusing, investigating, handling and reporting on fraud cases. The Audit Committee and Audit Department have set up independent hotlines and email boxes for reporting any suspected cases, and posted on the internal and external websites of the Company as channels for staff at all levels and stakeholders of the Company to reflect and report the violation of the ethical issues or suspected fraud cases in connection to the Company or its staff. During the year, the Audit Committee communicated with the auditor in relation to the fraudulent risk and control measures in order to understand the recommendation of internal control proposed by the auditor and the Audit Department and the feedback and the rectification and improvement of the management, investigate the reports/complaints against the Company or the management from the perspective of internal control, review the major accounting policies and estimates adopted by the management and provide continual guideline and supervision on the anti-fraudulent work of the Company.

## Corporate Governance Report

### The report of the auditor:

Upon the approval of general meeting, the Company appointed PwC Zhong Tian as the Company's auditor for the year 2015 to carry out a comprehensive audit for the annual financial statements and the internal control and assume the due duties of an international auditor as provided for by the Listing Rules of the HKEx. PwC Zhong Tian has been appointed by the Company as its statutory auditor since 2004. It has been providing audit services to the Group for 12 consecutive years and changed its endorsing certified public accountants in the year of 2006, 2008, 2009, 2011, 2013, 2014 and 2015 respectively.

The remunerations of the Company's auditor (PwC Zhong Tian and any other entities under the same control, ownership or management, including but not limited to PricewaterhouseCoopers) for the year 2015 are set out as follows:

(Unit: RMB'000)	2015	2014
Financial statements audit/review fees	3,720	3,670
Internal control audit fees	830	630
Others (non-audit service)	3,090	680

Note:

- (1) The auditor has submitted to the Company a written confirmation in respect of the total amount of the aforementioned remunerations.
- (2) In 2015, other services provided by PwC Zhong Tian mainly included the assurance services provided in the approval processes of toll adjustment of Nanguang Expressway, Yanpai Expressway and Yanba Expressway in accordance with the requirements of the securities regulatory rules.

Save as the above-mentioned, Qinglian Company, Advertising Company and Land Company, subsidiaries of the Company, engaged Pan-China Certified Public Accountants LLP to provide financial audit services. Magerk Company, a subsidiary of the Company, engaged Wuhan Ronghua Accountant Ltd. to provide financial audit services to it. The financial audit fees for the year 2015 amounted to RMB80,000, RMB30,000, RMB20,000 and RMB180,000 respectively (2014: RMB80,000, RMB25,000, RMB0 and RMB180,000). In 2015, the financial statements of subsidiaries, Consulting Company and Qinglong Company, have been consolidated into the Company's financial statements, which engaged Pan-China Certified Public Accountants LLP to provide financial audit services with audit fees amounted to RMB33,000 and RMB30,000, respectively.

The Audit Committee is responsible for conducting an assessment on the completion of the annual audit and the quality of professional services of the auditor, and makes recommendations to the Board in respect of the appointment or replacement of the auditor. The appointment or replacement of the auditor as well as the determination of audit fees are proposed by the Board at the general meeting for the approval or authorisation. According to the stipulated procedures of the Company, the Audit Committee already assessed and summarised the 2015 audit work of PwC Zhong Tian. The committee is of the view that PwC Zhong Tian performed well in terms of independence and objectivity, professional skills, quality and efficiency of audit for financial information disclosure and the communication with the Company, and proposed to re-appoint it as the Company's auditor for the year 2016.

## D. Delegation of Authority of the Board

### D.1 *The management function*

The code provisions that we complied with

D.1.1~D.1.4

The functions of the Board and senior management are separated (details are set out in the Articles of Association, Rules of Procedures for the Board of Directors and the Rules on Performing Duties by the President) to protect the relative independence of the decision-making and operating and management activities of the Board of the Company. The above system has been published on the websites of the exchanges and the Company.

The Board is responsible for leading the Group's development, determining the strategic goals of the Group and ensuring the availability of necessary financial and other resources for the Group to achieve pre-set strategic goals. The Articles of Association of the Company and Rules of Procedures for the Board of Directors have clearly defined the powers in respect of development strategies, management structure, investment and financing, planning, financial control, human resources and corporate governance, and so forth as well as the supervision and inspection the Company's development and operation.

Without material prejudice to or impairment of the overall capability to perform duties and authorities of the Board, the Board has granted Executive Directors certain authorities, so as to enhance the overall quality and efficiency of decision-making of the Company. The Board has also formulated the Rules of Procedures for the Executive Directors Meeting to strengthen the monitoring and management on the authorised matters through establishing a mechanism on procedural management, documentation and regular reviews. Specific information and management procedures relating to the authorisation have been clearly set out in the Articles of Association of the Company and Rules of Procedures for the Board of Directors. During the Reporting Period, the Board has reviewed matters in relation to the general mandate granted to the Executive Directors, and continuous amendments and improvements have been made for the same. In 2015, the Executive Directors held seven meetings in total, during which they discussed and made decisions on matters regarding remuneration management, entrusted construction management, connected transaction and investment within their authorisation. Resolutions for such matters have been reported to the Board and Supervisory Committee in time.

### D.2 *The committees under the Board*

The code provisions that we complied with

D.2.1~D.2.2

Five specialised committees have been set up under the Board, and each committee has its terms of reference, which explicitly explain and define their duties and powers, and they have been approved by the Board. These committees are responsible for reviewing and monitoring specific matters of the Company, such as the Company's strategies, financial reports, accounting policies, project investments and the nomination, assessment and remuneration of the management, and make corresponding recommendations to the Board.

## Corporate Governance Report

During the Reporting Period, the composition of each specialised committees of the Board of the Company is set out as follows:

	Strategic Committee	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee
Chairman:	Hu Wei <b>Executive Director</b>	Hu Chun Yuan <b>Independent Director</b>	Shi Xian Liang <b>Independent Director</b>	Shi Xian Liang <b>Independent Director</b>	Au Sing Kun <b>Independent Director</b>
Member:	Wu Ya De <b>Executive Director</b> Li Jing Qi <b>Non-executive Director</b> Zhao Jun Rong <b>Non-executive Director</b> Lin Chu Chang <b>Independent Director</b>	Au Sing Kun <b>Independent Director</b> Chiu Chi Cheong, Clifton <b>Non-executive Director</b>	Au Sing Kun <b>Independent Director</b> Hu Chun Yuan <b>Independent Director</b> Chiu Chi Cheong, Clifton <b>Non-executive Director</b> Wang Zeng Jin <b>Executive Director</b>	Lin Chu Chang <b>Independent Director</b> Hu Wei <b>Executive Director</b>	Zhang Yang <b>Non-executive Director</b> Tse Yat Hong <b>Non-executive Director</b>

Each specialised committee has appointed a designated member of the management to be the secretary of the committee and clearly defined the meeting and reporting procedures with reference to the Rules of Procedures for the Board of Directors. The meeting minutes of the committees contain the details of the matters discussed in the meetings and are maintained properly according to the file management system of the Company upon the confirmation of all members. The Chairman of each committee reports the work progress to the Board regularly and submits the relevant minutes for record. In 2015, the five specialised committees of the Company convened 13 meetings. For details, please refer to the "Corporate Governance Summary" in this annual report.

### D.3 Corporate governance function

The code provisions that we complied with

D.3.1~D.3.2

The Board is responsible for the performance of its duty on corporate governance. During 2015, the Board regularly received reports on the reviews of the rules on governance, the compliant operation of the Company, the Directors' compliant performance of duties and the training and growth of the management, and constantly monitored the overall states and level of corporate governance. Moreover, the Audit Committee also regularly reviewed the relevant review checklists submitted by the Audit Department, examined the compliance of corporate governance practices and the disclosure of the corporate governance report of the Company to ensure the related regulations and issues are implemented and disclosed appropriately.

## E. Communication with Shareholders

### E.1 Effective communication

The code provisions that we complied with

E.1.1~E.1.4

The Company encourages all shareholders to attend the general meetings. In 2015, a total of two general meetings were held by the Company. For details, please refer to the "Overview of Corporate Governance" in this annual report.

The Company serves a notice of 45 days prior to the date of the general meeting, and provides the shareholders with any information necessary for them to attend and make decision at the meeting. Each separate matter in substance submitted to the general meeting to consider is put forth respectively as separate resolution. According to the provisions of the Articles of Association of the Company, the qualified shareholders of the Company have the right to call general meetings in accordance with the established procedures, propose impromptu motions or collect voting rights from other shareholders. In addition, a cumulative voting system is adopted for the election of the Directors and the Supervisors by the shareholders. These arrangements are made to protect the rights of minority shareholders and encourage them to fully express their opinions. The specific procedures and requirements of the aforementioned arrangements are set out in details in the Articles of Association of the Company and its attachments as well as the Rules of Procedures for the General Meetings. The full texts of the Articles of Association of the Company and Rules of Procedures for the General Meetings is available on the website of the Company.

During the year, the Chairman of the Company attended the annual general meeting and all chairmen of the specialised committees under the Board and the representative of the auditor were also arranged to attend the annual general meeting to answer enquiries from the shareholders when necessary.

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

The Company regularly discloses the details of total share capital, categories of shareholders, substantial shareholders and market value of the shares held by the public. Please refer to "Share Capital and Shareholders" in this annual report.

## **E.2 Voting by poll**

The code provision that we complied with

E.2.1

The Company has formulated the Rules of Procedures for the Shareholders' Meeting which clearly sets out the voting method and poll procedure at the general meetings to ensure the compliance with the requirements of the Listing Rules and the Articles of Association.

The Company provides detailed explanations on the documents for convening a general meeting on such matters as the way of filling in voting forms, rights of the shareholders, voting procedures and method of vote counting to ensure that the shareholders are familiar with the voting procedures by way of poll. A shareholder who is unable to attend the general meeting in person may appoint his or her proxy (regardless of whether the proxy was a shareholder of the Company or not) to attend and vote at the general meeting.

## Corporate Governance Report

### F. Company Secretary

The code provisions that we complied with

F.1.1~F.1.4

The Secretary to the Board of the Company (Company Secretary), who is appointed by the Board and reports to the Chairman of the Board for daily routines, is a senior management member of the Company. The Secretary to the Board is responsible for the communication and coordination among the Company, Directors and the shareholders, giving advice to the Board and the management on corporate governance, information disclosure and investor relationship management and the arrangement of specific practices. During the Reporting Period, Ms. Wu Qian, the Secretary to the Board, has completed a total of not less than 15 hours of related training sessions organised by the securities regulators and professional training institutions so as to keep her professional knowledge and skills up-to-date and better support the operation of the Board. Ms. Wu Qian has ceased to be the Secretary to the Board since 31 December 2015 and the Board has designated Ms. Gong Tao Tao, the Financial Controller, to perform the duties of the Secretary to the Board (Company Secretary). On 29 January 2016, the Board appointed Mr. Luo Kun as the Secretary to the Board, and Mr. Luo Kun and Ms. Lam Yuen Ling, Eva were appointed as the joint company secretaries of the Company. The Company will continue to comply with the requirements under the Listing Rules of the HKEx in respect of a company secretary in 2016.

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

# Internal Control

## I. Statement of Responsibilities towards Internal Control

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

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

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

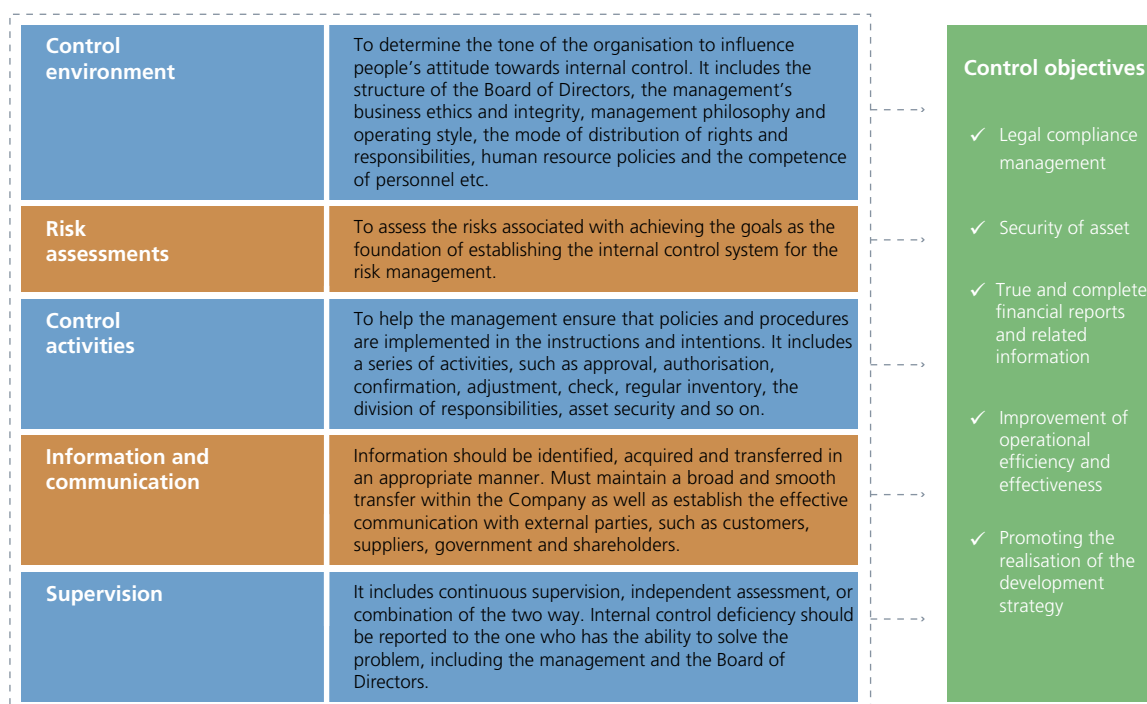
## II. Establishment of the Internal Control System

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

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

## Internal Control

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



### III. Risk Management

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



#### IV. The Supervision and Self-Assessment of the Internal Control Systems

The Board focuses on the five basic elements of the internal control and continues to review the effectiveness of the Group's internal control system through the Audit Committee and its subordinate Audit Department. In August 2000, the Company established the Audit Department, which independently reviews, supervises and evaluates internal control activities regularly and whenever necessary based on possible risks and degrees of importance involved in various businesses and procedures and directly reports to the Audit Committee. Through the following tasks, the Audit Committee continuously supervises and reviews the soundness and effectiveness of the Group's financial reporting and internal control system on an ongoing basis:

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

According to the relevant requirements of the Corporate Internal Control Standard System which is based on the Basic Standard for Enterprise Internal Control together with the Company's internal control system and method of evaluation, the Board assessed the effectiveness of the Company's internal control on 31 December 2015 (the basis date of the assessment report) and issued the Assessment Report for Internal Control 2015 on the basis of routine supervision and specific supervision. The scope of evaluation included the Company, Jihe East Company, Meiguan Company, Qinglian Company, Magerk Company, Advertising Company, Guishen Company, Outer Ring Company, Mei Wah Company, JEL Company and Maxprofit Company, and covered main business and matters of these aforementioned companies in terms of corporate governance, business procedures and high-risk areas. The asset value of the aforementioned companies incorporated into the scope of evaluation accounts for 82.8% of the Group's total assets of the combined statements and the business revenue accounts for 90.6% of the Group's total business revenue.

Assessment Report for Internal Control 2015 of the Company (Chinese version) was disclosed on the website of SSE (<http://www.sse.com.cn>), the website of HKEx (<http://www.hkexnews.hk>) and the website of the Company (<http://www.sz-expressway.com>) in separate reports. According to the identified key deficiencies in the internal control on the Company's financial reporting, there was no key deficiency in the internal control on the Company's financial reporting as at the basis date of the assessment report. The Directors are of the opinion that the Company has maintained an effective internal control on financial reporting in all material aspects according to the Corporate Internal Control Standard System and the relevant regulatory requirements. According to the identified key deficiencies in the internal control on the Company's non-financial reporting, no key deficiency in the internal control on the Company's non-financial reporting was aware of as at the basis date of the assessment report. During the period from the basis date of the assessment report and the issue date of Assessment Report for Internal Control 2015, no factors that affect the conclusions on effectiveness of internal control evaluation occurred.

#### V. Description on Internal Control Audit

PricewaterhouseCoopers Zhong Tian LLP appointed by the Company had audited the effectiveness of internal control relating to the Company's financial reporting, and issued its unqualified audit opinion. The audit report (Chinese version) was disclosed on the websites of the exchanges and the Company in separate reports.

# Investor Relations

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

## I. Information Disclosure

Credible information disclosure can effectively build a bridge of communication and understanding between investors, regulatory authorities, the public and the Company. This can facilitate a broader and more thorough understanding of the Company's values. For years, according to the basic principles of openness, impartiality and fairness, the Company has been striving to comply with the requirements of the relevant laws and the Listing Rules, and fulfilling the information disclosure obligations in a timely and accurate manner. The Company takes the initiative to understand investors' concerns and voluntarily discloses information in response to these concerns so as to increase its transparency.

In 2015, the Company timely completed the preparation and disclosure of its annual, interim and quarterly reports and released over 100 announcements and other shareholders' documents and information, disclosing in detail the following information of the Company: operations of the Board, the Supervisory Committee and general meetings, dividend distributions, exchange with investors, corporate governance, operating conditions, investment and financing arrangements and so forth. The Company acted, on its own accord, to disclose its monthly operational statistics by way of announcements. The Company also maintained to provide in-depth analyses on its operating and financial positions as well as the major factors affecting its business performance in its annual reports with a view to strengthening investors' understanding about the operation, management and development trends of the Company.

## II. Ongoing Communication

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

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

- ◆ Making the public known the investor hotline and investor relations e-mail, establishing the Investors' Message section on the Company's website, and promptly responding to investors' enquiries. In 2015, the Company replied approximately 200 investors' enquiries through website, telephone or via e-mail.
- ◆ Properly arranging request of visits and researches from the investors. During 2015, the Company received in aggregate of 29 investors' visits involving 70 visitors, with an open-minded attitude communicating with the investors, and has built up a direct communication mechanism between investors and the Company.

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

## Investor Relations

- ◆ Conducting various forms of presentation activities, including organising result presentations and press conferences, online investor meetings and road-shows as well as participating in different types of investor forums. In 2015, the Company conducted face-to-face communications with over 230 investors and media reporters. Details of various presentation activities during 2015 are as follows:

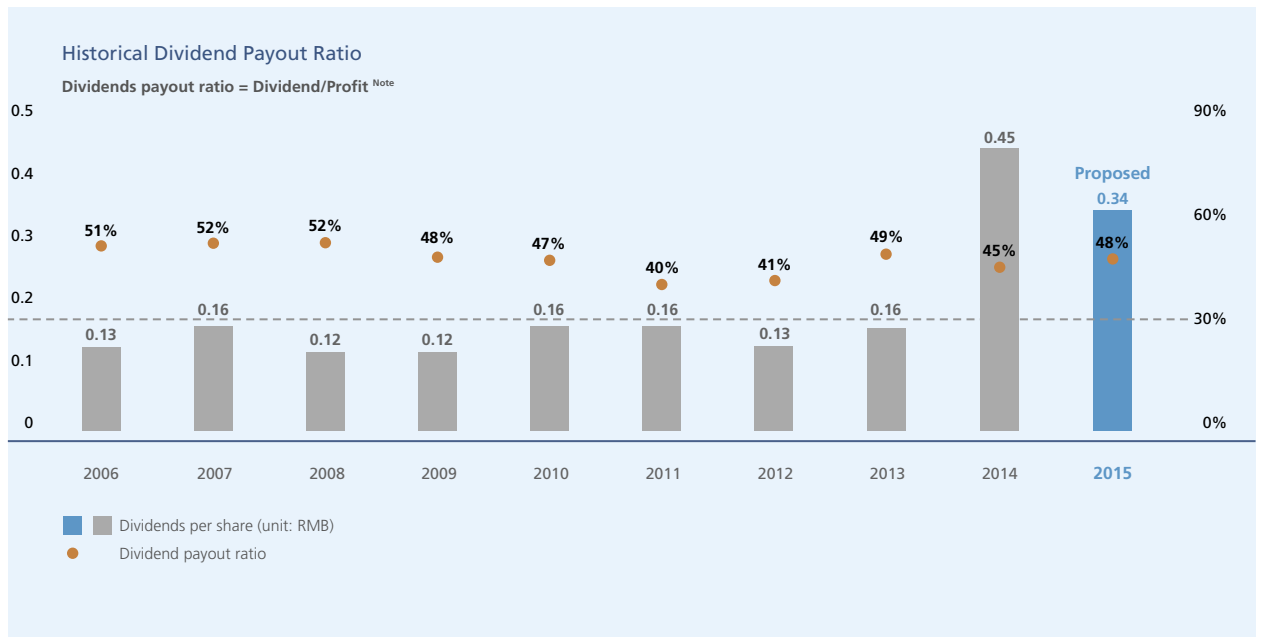
March	◆	Held 2014 annual result presentations and press conferences in Hong Kong and Shenzhen
	◆	Organised road-shows in Hong Kong
April	◆	Held an online investor meeting
May	◆	Participated in "HSBC 3 <sup>rd</sup> Annual China Conference" in Shanghai
July	◆	Participated in "Merrill Lynch China Property Corporate Day" in Hong Kong
August	◆	Held 2015 interim result presentations and press conferences in Hong Kong and Shenzhen
	◆	Organised road-shows in Hong Kong
September	◆	Participated in "Haitong International 2015 A Share Conference" in Shenzhen and Hong Kong respectively
October	◆	Held an online investor meeting
November	◆	Participated in "Essence International State-owned Enterprises Reform Forum" in Shenzhen
	◆	Organised a series of activities for exchanges between media enterprises
December	◆	Participated in "Citigroup's Thematic Forum for Infrastructure Industry 2015" in Hong Kong
	◆	Participated in "Morgan Stanley A Share China Corporate Day" in Shenzhen
	◆	Organised a series of activities for exchanges between media enterprises

- ◆ Regularly dispatching information and materials on the operations and development of the Group. The Company prepared and issued a total of 4 issues of E-news and 4 result presentation materials in 2015, providing information to investors on the operating performance and environment of the Company, giving responses to issues which concern investors. Apart from the manner of e-mails, E-news is also uploaded to the Company's website for investors' access at any time.
- ◆ Investors and the public may check out information such as the Group's basic information, rules for the Company's corporate governance, information disclosure documents, profiles of directors, supervisors and the senior management and the Group's monthly operating performance of toll highway projects at any time on the Company's website.
- ◆ The Company also timely handled and replied investors' messages, and uploaded investors' interaction records monthly through the "e-interaction" platform developed by the SSE for listed companies and investors.

### III. Shareholder Return

The Company insists in rewarding its shareholders with high returns ever since its listing, which is underpinned by the payment of cash dividends for eighteen consecutive years with an aggregate cash dividend payment of approximately RMB5.1 billion.

The Board of the Company recommended the payment of a cash dividend of RMB0.34 (tax included) per share for the year 2015. Such proposal is to be submitted to the 2015 Annual General Meeting of the Company for approval. For details, policy and payment of cash dividends of the Company, please refer to “Financial Analysis” in “Management Discussion and Analysis” of this annual report.



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

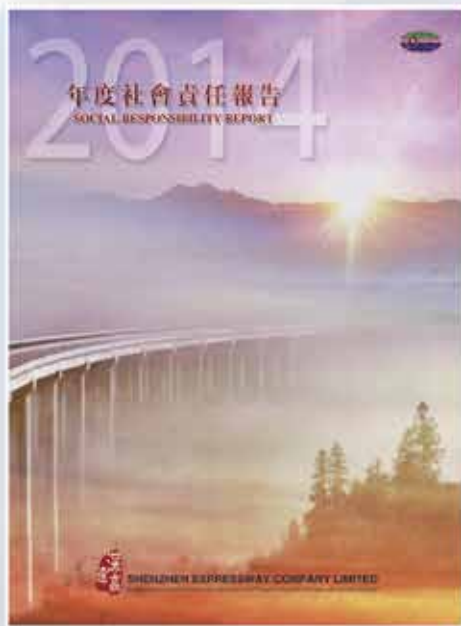
## Social Responsibility

Harmonious internal and external environment is essential for the development of a company. While going through sustainable development and creating profits, Shenzhen Expressway is committed to be a responsible corporate citizen who respects and protects the interests of the stakeholders. Since 2009, the Company completes the preparation and publication of the Annual Social Responsibility Report before April every year, to strengthen the understanding and relationship between the stakeholders and the Company, and accept supervision of the society.

The social responsibility report of the Company for the year 2015 has been disclosed on the websites of the exchanges in separate report. The social responsibility report for this Year has described the responsibility and practices of the Company in relation to products, customers, employees, environment and community, etc.. With the change of competition layout and the common increase of social awareness, the Company will face more challenges in terms of self-development and assuming social responsibility, and there is still room for reform and improvement as well. The Company will continue to pursue the concept of honesty and faithfulness, scientific operation and constantly improve various aspects of tasks to achieve a harmonious mutual success between the Company and the stakeholders. The Company will also continue to develop and practise noble business ethics and corporate deeds to make a positive contribution to the mutual growth of the enterprise and the society.



The social responsibility report for the year 2015 can be viewed and downloaded under the column of "Social Responsibility" of "Company Overview" on the websites of SSE (<http://www.sse.com.cn> (in Chinese)), HKEx (<http://www.hkexnews.hk> (in both Chinese and English)) and the Company (<http://www.sz-expressway.com> (in both Chinese and English)). Through the report, investors can obtain more comprehensive and detailed information in relation to the performance of social responsibility of the Company.



# Auditor's Report and 2015 Financial Statements

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## Auditor's Report



普华永道

### To the Shareholders of Shenzhen Expressway Company Limited

We have audited the accompanying financial statements of Shenzhen Expressway Company Limited (hereinafter "Shenzhen Expressway Company"), which comprise the consolidated and company balance sheets as at 31 December 2015, and the consolidated and company income statements, the consolidated and company statements of changes in owners' equity and the consolidated and company cash flow statements for the year then ended, and the notes to the financial statements.

### MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

### AUDITOR'S RESPONSIBILITY

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

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

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

普华永道中天会计师事务所(特殊普通合伙)

PricewaterhouseCoopers Zhong Tian LLP, 11/F PricewaterhouseCoopers Center  
2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai 200021, PRC  
T: +86 (21) 2323 8888, F: +86 (21) 2323 8800, www.pwccn.com

## OPINION

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of Shenzhen Expressway Company as at 31 December 2015, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

**PricewaterhouseCoopers Zhong Tian LLP**

Certified Public Accountant Zhou Wei Ran

Shanghai, the People's Republic of China  
18 March 2016

Certified Public Accountant Hou Ying Hua

## Consolidated Balance Sheet

As at 31 December 2015

(All amounts in RMB unless otherwise stated)

Item	Note	31 December 2015	31 December 2014
<b>Current assets</b>			
Cash at bank and on hand	V.1	6,422,377,830.89	1,634,298,872.34
Accounts receivable	V.2	659,832,794.56	721,306,986.74
Advances to suppliers	V.3	242,115,831.87	236,721,569.18
Interest receivable		959,220.83	489,718.03
Other receivables	V.4	123,461,626.41	98,912,102.78
Inventories	V.5	648,713,256.36	534,747,975.10
Held-for-sale assets	V.6	169,004,404.40	–
Current portion of non-current assets	V.7	139,082,269.66	800,000,000.00
Other current assets		18,879,520.24	34,204.14
<b>Total current assets</b>		<b>8,424,426,755.22</b>	<b>4,026,511,428.31</b>
<b>Non-current assets</b>			
Long-term prepayments		6,850,959.00	3,814,521.00
Available-for-sale financial assets	V.8	30,170,000.00	30,170,000.00
Long-term receivable	V.9	68,710,261.56	1,291,779,890.93
Long-term equity investments	V.10	1,982,890,024.59	1,695,490,572.34
Investment properties		14,102,125.00	14,677,825.00
Fixed assets	V.11	1,156,211,660.69	1,031,397,945.38
Construction in progress	V.12	29,456,086.42	26,931,901.19
Intangible assets	V.13	19,271,775,774.01	16,154,661,734.98
Goodwill		1,543,560.21	–
Long-term prepaid expenses		10,980,369.76	2,384,813.62
Deferred income tax assets	V.14	77,617,511.95	51,503,576.27
Other non-current assets	V.15	595,920,000.00	–
<b>Total non-current assets</b>		<b>23,246,228,333.19</b>	<b>20,302,812,780.71</b>
<b>Total assets</b>		<b>31,670,655,088.41</b>	<b>24,329,324,209.02</b>

Item	Note	31 December 2015	31 December 2014
<b>Current liabilities</b>			
Short-term borrowings		–	23,667,000.00
Accounts payable	V.16	<b>182,023,959.15</b>	164,270,951.61
Advances from customers	V.17	<b>232,847,835.82</b>	18,321,684.85
Employee benefits payable	V.18	<b>154,056,117.83</b>	107,549,071.63
Taxes payable	V.19	<b>258,044,934.34</b>	529,265,388.87
Interest payable	V.20	<b>118,790,435.51</b>	102,381,629.53
Dividends payable		–	28,625,546.59
Other payables	V.21	<b>1,325,053,997.31</b>	935,704,622.38
Current portion of non-current liabilities	V.22	<b>1,836,240,879.39</b>	1,022,387,329.23
Deferred revenue	V.26	<b>3,464,972.66</b>	2,794,486.25
<b>Total current liabilities</b>		<b>4,110,523,132.01</b>	2,934,967,710.94
<b>Non-current liabilities</b>			
Long-term borrowings	V.23	<b>2,201,928,764.00</b>	3,898,864,000.00
Bonds payable	V.24	<b>2,690,329,788.48</b>	3,290,387,574.51
Provisions	V.25	<b>125,239,600.71</b>	88,745,908.12
Deferred revenue	V.26	<b>174,680,489.68</b>	162,850,000.00
Deferred income tax liabilities	V.14	<b>1,339,812,592.32</b>	773,462,469.63
Other non-current liabilities	V.27	<b>6,067,060,199.11</b>	59,873,950.68
<b>Total non-current liabilities</b>		<b>12,599,051,434.30</b>	8,274,183,902.94
<b>Total liabilities</b>		<b>16,709,574,566.31</b>	11,209,151,613.88
<b>Owners' equity</b>			
Share capital	V.28	<b>2,180,770,326.00</b>	2,180,770,326.00
Capital surplus	V.29	<b>2,274,351,523.42</b>	2,274,351,523.42
Other comprehensive income	V.30	<b>893,605,520.32</b>	893,604,159.01
Surplus reserve	V.31	<b>1,915,883,968.12</b>	1,884,591,029.74
Undistributed profits	V.32	<b>5,104,281,635.31</b>	4,564,264,823.15
<b>Total equity attributable to owners of the Company</b>		<b>12,368,892,973.17</b>	11,797,581,861.32
Minority interests	VII.1(2)	<b>2,592,187,548.93</b>	1,322,590,733.82
<b>Total owners' equity</b>		<b>14,961,080,522.10</b>	13,120,172,595.14
<b>Total liabilities and owners' equity</b>		<b>31,670,655,088.41</b>	24,329,324,209.02

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

Legal representative: **Hu Wei**

Chief Financial Officer: **Gong Taotao**

Head of accounting department: **Sun Bin**

## Balance Sheet

As at 31 December 2015

(All amounts in RMB unless otherwise stated)

Item	Note	31 December 2015	31 December 2014
<b>Current assets</b>			
Cash at bank and on hand		4,888,439,240.81	751,278,240.85
Accounts receivable	XIV.1	495,255,623.24	530,410,157.03
Advances to suppliers		6,985,783.71	2,084,326.00
Interest receivable		956,785.27	383,184.71
Dividends receivable		80,000,000.00	692,000,000.00
Other receivables	XIV.2	1,269,557,969.42	736,893,668.46
Inventories		1,952,913.31	3,175,552.09
<b>Current assets</b>		<b>6,743,148,315.76</b>	<b>2,716,225,129.14</b>
<b>Non-current assets</b>			
Long-term prepayments		3,329,760.00	1,664,880.00
Available-for-sale financial assets		30,170,000.00	30,170,000.00
Long-term receivable		3,112,019,232.87	1,250,000,000.00
Long-term equity investments	XIV.3	6,721,818,997.37	6,626,784,885.87
Investment properties		14,102,125.00	14,677,825.00
Fixed assets		508,597,421.41	547,373,562.80
Construction in progress		4,008,899.94	12,161,401.55
Intangible assets		4,327,665,068.64	4,529,457,659.04
Long-term prepaid expenses		2,871,534.84	843,318.50
Deferred income tax assets		41,792,784.92	50,164,928.19
Other non-current assets		595,920,000.00	–
<b>Total non-current assets</b>		<b>15,362,295,824.99</b>	<b>13,063,298,460.95</b>
<b>Total assets</b>		<b>22,105,444,140.75</b>	<b>15,779,523,590.09</b>
<b>Current liabilities</b>			
Short-term borrowings		120,000,000.00	100,000,000.00
Accounts payable		22,230,271.50	29,353,391.40
Advances from customers		1,583,333.37	1,583,333.37
Employee benefits payable		57,554,501.48	56,568,532.10
Taxes payable		42,852,641.21	58,802,114.76
Interest payable		111,110,863.10	96,737,767.55
Other payable		1,367,946,083.86	513,786,044.91
Current portion of non-current liabilities		1,567,040,879.39	940,227,329.23
<b>Total current liabilities</b>		<b>3,290,318,573.91</b>	<b>1,797,058,513.32</b>
<b>Non-current liabilities</b>			
Bonds payable		2,694,728,466.81	3,295,454,406.48
Provisions		125,239,600.71	88,745,908.12
Other non-current liabilities		6,065,310,000.00	–
<b>Total non-current liabilities</b>		<b>8,885,278,067.52</b>	<b>3,384,200,314.60</b>
<b>Total liabilities</b>		<b>12,175,596,641.43</b>	<b>5,181,258,827.92</b>
<b>Owners' equity</b>			
Share capital	V.28	2,180,770,326.00	2,180,770,326.00
Capital surplus	XIV.4	2,315,587,934.74	2,315,587,934.74
Surplus reserve	V.31	1,915,883,968.12	1,884,591,029.74
Undistributed profits	XIV.5	3,517,605,270.46	4,217,315,471.69
<b>Total owners' equity</b>		<b>9,929,847,499.32</b>	<b>10,598,264,762.17</b>
<b>Total liabilities and owners' equity</b>		<b>22,105,444,140.75</b>	<b>15,779,523,590.09</b>

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

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

# Consolidated Income Statement

For the year ended 31 December 2015  
(All amounts in RMB unless otherwise stated)

Item	Note	2015	2014
<b>1. Total revenue</b>		<b>3,420,578,335.19</b>	3,620,357,480.08
Including: revenue from services	V.33	<b>3,420,578,335.19</b>	3,620,357,480.08
<b>2. Total costs</b>		<b>2,940,202,577.45</b>	2,348,829,257.53
Including: Cost of services	V.33	<b>1,678,747,609.45</b>	1,705,255,936.85
Business tax and surcharges	V.34	<b>122,641,632.55</b>	131,023,341.41
Selling expenses		<b>14,101,934.27</b>	4,778,132.27
General and administrative expenses	V.35	<b>134,011,809.39</b>	88,493,966.36
Finance expenses	V.36	<b>370,699,591.79</b>	419,277,880.64
Asset impairment loss	V.37	<b>620,000,000.00</b>	–
Add: Investment income	V.38	<b>1,154,990,808.91</b>	187,042,277.71
Including: Share of profit of associates and joint ventures		<b>247,973,476.09</b>	187,042,277.71
<b>3. Operating profit</b>		<b>1,635,366,566.65</b>	1,458,570,500.26
Add: Non-operating income	V.39	<b>39,930,795.95</b>	1,510,538,187.04
Including: Gains on disposal of non-current assets		<b>29,177,997.50</b>	1,497,451,546.14
Less: Non-operating expenses	V.40	<b>2,970,475.84</b>	2,190,673.04
Including: Losses on disposal of non-current assets		<b>1,840,627.93</b>	448,542.09
<b>4. Total profit</b>		<b>1,672,326,886.76</b>	2,966,918,014.26
Less: Income tax expenses	V.41	<b>177,176,928.38</b>	695,448,484.89
<b>5. Net profit</b>		<b>1,495,149,958.38</b>	2,271,469,529.37
Net profit attributable to owners of the Company		<b>1,552,656,397.24</b>	2,186,883,365.49
Minority interests	VII.1(2)	<b>-57,506,438.86</b>	84,586,163.88
<b>6. Other comprehensive income after tax</b>		<b>1,361.31</b>	-14,798,681.06
Other comprehensive income after tax attributable to owners of the Company		<b>1,361.31</b>	-14,798,681.06
(1) Item that may not be reclassified subsequently to profit and loss		–	–
(2) Item that may be reclassified subsequently to profit and loss:		<b>1,361.31</b>	-14,798,681.06
The effective profit/loss parts of cash flow hedges		–	-14,798,681.06
Foreign exchange gain/loss		<b>1,361.31</b>	–
<b>7. Total comprehensive income</b>		<b>1,495,151,319.69</b>	2,256,670,848.31
Total comprehensive income attributable to owners of the company		<b>1,552,657,758.55</b>	2,172,084,684.43
Total comprehensive income attributable to minority interest		<b>-57,506,438.86</b>	84,586,163.88
<b>8. Earnings per share</b>			
Basic earnings per share (RMB/share)	V.46	<b>0.712</b>	1.003
Diluted earnings per share (RMB/share)	V.46	<b>0.712</b>	1.003

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

Legal representative: **Hu Wei**

Chief Financial Officer: **Gong Taotao**

Head of accounting department: **Sun Bin**

## Income Statement

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

Item	Note	2015	2014
<b>1. Revenue from services</b>	XIV.6	<b>1,271,783,783.22</b>	1,462,654,232.79
Less: Cost of services	XIV.6	<b>500,565,700.13</b>	610,192,530.02
Business tax and surcharges		<b>43,425,758.99</b>	55,802,842.56
General and administrative expenses		<b>87,580,506.52</b>	70,039,957.92
Finance expenses		<b>159,117,502.36</b>	196,230,662.56
Asset impairment loss		<b>678,765,149.21</b>	–
Add: Investment income	XIV.7	<b>633,745,928.04</b>	1,623,802,349.30
Including: Share of profit of associates and joint ventures		<b>247,973,476.09</b>	187,042,277.71
<b>2. Operating profit</b>		<b>436,075,094.05</b>	2,154,190,589.03
Add: Non-operating income		<b>916,280.86</b>	10,759,318.11
Including: Gains on disposal of non-current assets		<b>22,520.00</b>	1,428,666.32
Less: Non-operating expenses		<b>1,679,116.55</b>	1,338,847.96
Including: Losses on disposal of non-current assets		<b>1,345,095.27</b>	100,349.44
<b>3. Total profit</b>		<b>435,312,258.36</b>	2,163,611,059.18
Less: Income tax expenses		<b>122,382,874.51</b>	131,935,517.18
<b>4. Net profit</b>		<b>312,929,383.85</b>	2,031,675,542.00
<b>5. Other comprehensive income</b>		–	–
<b>6. Total comprehensive income</b>		<b>312,929,383.85</b>	2,031,675,542.00

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

Legal representative: **Hu Wei**

Chief Financial Officer: **Gong Taotao**

Head of accounting department: **Sun Bin**



# Consolidated Cash Flow Statement

For the year ended 31 December 2015  
(All amounts in RMB unless otherwise stated)

Item	Note	2015	2014
<b>1. Cash flows from operating activities</b>			
Cash received from rendering services		3,686,440,969.35	3,265,796,281.42
Tax refund received		122,411.45	–
Cash received relating to other operating activities	V.42(1)	297,963,315.24	244,269,942.55
<b>Sub-total of cash inflows</b>		<b>3,984,526,696.04</b>	<b>3,510,066,223.97</b>
Cash paid for goods and services		491,054,483.66	471,920,370.87
Cash paid to and on behalf of employees		383,899,841.39	300,009,084.70
Payments of taxes and surcharges		891,866,403.40	408,908,252.61
Cash paid relating to other operating activities	V.42(2)	446,200,837.27	535,473,233.50
<b>Sub-total of cash outflows</b>		<b>2,213,021,565.72</b>	<b>1,716,310,941.68</b>
<b>Net cash flows from operating activities</b>	V.43(1)	<b>1,771,505,130.32</b>	<b>1,793,755,282.29</b>
<b>2. Cash flows from investing activities</b>			
Cash received from disposal of investments		16,568,744.77	12,763,473.60
Cash received from returns on investments		154,400,989.32	82,470,749.68
Net cash received from disposal of fixed assets, intangible assets and other non-current assets		1,572,160,573.05	726,468,602.05
Cash received relating to other investing activities	V.42(3)	256,773,809.68	17,867,369.27
<b>Sub-total of cash inflows</b>		<b>1,999,904,116.82</b>	<b>839,570,194.60</b>
Cash paid to acquire fixed assets, intangible assets and other non-current assets		128,354,455.66	312,902,589.45
Net cash paid to acquire subsidiaries and other business units	V.42(4)	1,285,601,947.38	29,400,000.00
Cash paid relating to other investing activities		2,324,780.00	2,400,000.00
<b>Sub-total of cash outflows</b>		<b>1,416,281,183.04</b>	<b>344,702,589.45</b>
<b>Net cash flows from investing activities</b>		<b>583,622,933.78</b>	<b>494,867,605.15</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		810,000,000.00	55,141,000.00
Cash received from issuance of bonds		897,570,000.00	994,250,000.00
Cash received relating to other financing activities	V.42(5)	6,588,000,000.00	–
<b>Sub-total of cash inflows</b>		<b>8,295,570,000.00</b>	<b>1,109,656,952.56</b>
Cash repayments of borrowings		4,174,467,000.00	2,307,675,160.00
Cash payments for interest expenses and distribution of dividends or profits		1,548,529,495.06	891,608,608.38
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		115,908,236.22	58,201,067.18
Cash payments relating to other financing activities		1,548,009.44	33,380,179.79
<b>Sub-total of cash outflows</b>		<b>5,724,544,504.50</b>	<b>3,232,663,948.17</b>
<b>Net cash flows from financing activities</b>		<b>2,571,025,495.50</b>	<b>-2,123,006,995.61</b>
<b>4. Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>-316,390.91</b>	<b>-97,657.56</b>
<b>5. Net increase in cash and cash equivalents</b>		<b>4,925,837,168.69</b>	<b>165,518,234.27</b>
Add: Cash and cash equivalents at beginning of year		1,255,154,897.37	1,089,636,663.10
<b>6. Cash and cash equivalents at end of year</b>	V.43(2)	<b>6,180,992,066.06</b>	<b>1,255,154,897.37</b>

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

Legal representative: **Hu Wei**

Chief Financial Officer: **Gong Taotao**

Head of accounting department: **Sun Bin**

## Cash Flow Statement

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

Item	2015	2014
<b>1. Cash flows from operating activities</b>		
Cash received from rendering services	1,302,451,693.65	1,271,027,613.35
Cash received relating to other operating activities	788,839,225.19	81,844,185.22
<b>Sub-total of cash inflows</b>	<b>2,091,290,918.84</b>	1,352,871,798.57
Cash paid for goods and services	158,555,080.06	182,444,127.32
Cash paid to and on behalf of employees	166,822,221.93	155,633,785.03
Payments of taxes and surcharges	177,048,378.53	128,010,905.82
Cash paid relating to other operating activities	285,879,275.52	68,123,099.77
<b>Sub-total of cash outflows</b>	<b>788,304,956.04</b>	534,211,917.94
<b>Net cash flows from operating activities</b>	<b>1,302,985,962.80</b>	818,659,880.63
<b>2. Cash flows from investing activities</b>		
Cash received from disposal of investments	115,514,367.79	98,629,088.14
Cash received from returns on investments	1,280,732,299.53	923,602,488.52
Net cash received from disposal of fixed assets, intangible assets and other non-current assets	1,920.00	1,510,630.00
Cash received relating to other investing activities	362,402,382.48	779,884,727.88
<b>Sub-total of cash inflows</b>	<b>1,758,650,969.80</b>	1,803,626,934.54
Cash paid to acquire fixed assets, intangible assets and other non-current assets	33,811,489.94	82,248,411.56
Net cash paid to acquire subsidiaries and other business units	1,520,220,000.00	260,414,049.21
Cash paid relating to other investing activities	2,725,324,780.00	856,000,000.00
<b>Sub-total of cash outflows</b>	<b>4,279,356,269.94</b>	1,198,662,460.77
<b>Net cash flows from investing activities</b>	<b>-2,520,705,300.14</b>	604,964,473.77
<b>3. Cash flows from financing activities</b>		
Cash received from borrowings	930,000,000.00	100,100,000.00
Cash received from issuance of bonds	897,570,000.00	994,250,000.00
Cash received relating to other financing activities	6,588,000,000.00	-
<b>Sub-total of cash inflows</b>	<b>8,415,570,000.00</b>	1,094,350,000.00
Cash repayments of borrowings	1,710,000,000.00	1,740,891,800.00
Cash payments for interest expenses and distribution of dividends or profits	1,236,057,022.96	584,923,407.09
Cash payments relating to other financing activities	986,504.24	1,960,118.45
<b>Sub-total of cash outflows</b>	<b>2,947,043,527.20</b>	2,327,775,325.54
<b>Net cash flows from financing activities</b>	<b>5,468,526,472.80</b>	-1,233,425,325.54
<b>4. Effect of foreign exchange rate changes on cash and cash equivalents</b>	<b>4,609.06</b>	-115,279.02
<b>5. Net increase in cash and cash equivalents</b>	<b>4,250,811,744.52</b>	190,083,749.84
Add: Cash and cash equivalents at beginning of year	605,631,016.66	415,547,266.82
<b>6. Cash and cash equivalents at end of year</b>	<b>4,856,442,761.18</b>	605,631,016.66

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

Legal representative: **Hu Wei**

Chief Financial Officer: **Gong Taotao**

Head of accounting department: **Sun Bin**

# Consolidated Statement of Changes in Owners' Equity

For the year ended 31 December 2015  
(All amounts in RMB unless otherwise stated)

Item	2015							
	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 2014	2,180,770,326.00	2,274,351,523.42	893,604,159.01	1,884,591,029.74	4,564,264,823.15	1,322,590,733.82	13,120,172,595.14	
2. Movements for the year ended 31 December 2015	-	-	1,361.31	31,292,938.38	540,016,812.16	1,269,596,815.11	1,840,907,926.96	
(1) Consolidation under uncommon control	-	-	-	-	-	1,418,885,943.59	1,418,885,943.59	
(2) Total comprehensive income	-	-	1,361.31	-	1,552,656,397.24	-57,506,438.86	1,495,151,319.69	
Net profit	-	-	-	-	1,552,656,397.24	-57,506,438.86	1,495,149,958.38	
Other comprehensive income	-	-	1,361.31	-	-	-	1,361.31	
(3) Profit distribution	-	-	-	31,292,938.38	-1,012,639,585.08	-91,782,689.62	-1,073,129,336.32	
Appropriation to surplus reserves	-	-	-	31,292,938.38	-31,292,938.38	-	-	
Profit distribution to equity owners	-	-	-	-	-981,346,646.70	-91,782,689.62	-1,073,129,336.32	
<b>3. Ending balance on 31 December 2015</b>	<b>2,180,770,326.00</b>	<b>2,274,351,523.42</b>	<b>893,605,520.32</b>	<b>1,915,883,968.12</b>	<b>5,104,281,635.31</b>	<b>2,592,187,548.93</b>	<b>14,961,080,522.10</b>	

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	

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

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

## Statement of Changes in Owners' Equity

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

Item	2015				
	Share capital	Capital surplus	Surplus reserve	Undistributed profits	Total owners' equity
1. 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
2. Movements for the year ended 31 December 2015	-	-	31,292,938.38	-699,710,201.23	-668,417,262.85
(1) Total comprehensive income	-	-	-	312,929,383.85	312,929,383.85
Net profit	-	-	-	312,929,383.85	312,929,383.85
(2) Profit distribution	-	-	31,292,938.38	-1,012,639,585.08	-981,346,646.70
Appropriation to surplus reserves	-	-	31,292,938.38	-31,292,938.38	-
Profit distribution to equity owners	-	-	-	-981,346,646.70	-981,346,646.70
<b>3. Ending balance on 31 December 2015</b>	<b>2,180,770,326.00</b>	<b>2,315,587,934.74</b>	<b>1,915,883,968.12</b>	<b>3,517,605,270.46</b>	<b>9,929,847,499.32</b>
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

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

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

# Notes to Financial Statements

For the year ended 31 December 2015  
(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 Guizhou Hengfengxin Property Company Limited (“Hengfengxin Company”), Guizhou Henghongda Property Company (“Henghongda Company”), Guizhou Hengtongli Property Company (“Hengtongli Company”), Shenzhen Expressway Engineering Consulting Company Limited (“Consulting Company”), Shenzhen Expressway Engineering Testing Company Limited (“Testing Company”), Shenzhen Expressway Engineering Information Company Limited (“Information Company”), Shenzhen Expressway Finance I Limited, Fameluxe Investment Company Limited (“Fameluxe Company”), and Shenzhen Qinglong Expressway Company Limited (“Qinglong Company”), detailed information is disclosed in Note VI.1 and 2.

These financial statements have been approved for issue by the Company’s Board of Directors on 18 March 2016.

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

### 1. Basis of preparation

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

### 2. Going concern

The financial statements are prepared on a going concern basis.

## Notes to Financial Statements

For the year ended 31 December 2015  
(All amounts in RMB unless otherwise stated)

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

Specific accounting policies and accounting estimates abstracts:

The Group makes specific accounting policies and accounting estimates according to characteristics of its business operations, which include provision of bad debt of receivables (Note III.10), the criteria for determining impairment of non-current assets (Note III.19), depreciation policy of fixed assets and amortisation policy of intangible assets (Note III.15 and 18), measurement of provisions (Note III.22), revenue recognition (Note III.24) and recognition of deferred income tax assets (Note III.26), etc.

Key judgments and estimates applied for critical accounting policies by the Group are disclosed in Note III.29.

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

The financial statements for the year ended 31 December 2015 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 2015 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 not under common control

##### (1). 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.

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

#### 6. Preparation of consolidated financial statements

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

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

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

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

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

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

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

#### 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.

## Notes to Financial Statements

For the year ended 31 December 2015  
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### III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 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 receivables and available-for-sale financial assets.

###### Receivables

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

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

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

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

Financial assets are recognised at fair value on the balance sheet when the Group becomes a party to the contractual provisions of the financial instrument. In the case of financial assets at fair value through profit or loss, the related transaction costs incurred at the time of acquisition are recognised in profit or loss for the current 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.



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

#### 9. Financial instruments (continued)

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

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

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

A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset which has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

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

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

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

##### (2). Financial liabilities

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

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

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

#### 9. Financial instruments (continued)

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

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

Payables, including accounts payable 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.

### 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 (Ageing analysis, percentage of balance, other methods)

Group 1: receivables from government and related parties	Other appropriate methods
Group 2: receivables from other third parties	Ageing analysis method and other appropriate methods

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

Ageing	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.

## Notes to Financial Statements

For the year ended 31 December 2015  
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### 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. Held for sale

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

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

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

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

#### 13. Long-term equity investments

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

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

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

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

For long-term equity investments acquired through a business combination: for long-term equity investment acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination costs.

For long-term equity investments acquired 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. 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.

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

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

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

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

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

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

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

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

#### 14. Investment properties

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

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

	Estimated useful 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.

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

#### 14. 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.19).

#### 15. Fixed assets

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

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

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

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

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

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

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

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

## Notes to Financial Statements

For the year ended 31 December 2015  
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### III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 15. 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.19).

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

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

#### 16. Construction in progress

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

#### 17. Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction of a fixed asset that needs a substantially long period of time of acquisition and construction for its intended use commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use, the borrowing costs incurred thereafter are recognised in profit or loss for the current 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.



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

#### 18. Intangible assets

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

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

Concession intangible assets refer to the rights granted by the respective concession grantors, which entitle the Group to receive the toll fees from users and land use right obtained in conjunction with the concession arrangement. 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.

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

#### 18. 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) (Note V.27)	3.98
Yanpai Expressway	May 2006 to March 2027 (Note V.27)	1.49
Meiguan Expressway	May 1995 to March 2027	0.84
Shenzhen Airport–Heao Expressway (Western Section)	May 1999 to March 2027	0.78
Nanguang Expressway	January 2008 to January 2033 (Note V.27)	4.22
Shenzhen Airport–Heao Expressway (Eastern Section)	October 1997 to March 2027	3.49
Wuhuang Expressway	September 1997 to September 2022	6.52
Qinglian Expressway	July 2009 to July 2034	25.19
Shuiguan Expressway	Mar 2002 to Jan 2026	5.86

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

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

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

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

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

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

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

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

#### 19. Impairment of long-term assets

Fixed assets, construction in progress, intangible assets with finite useful lives, investment properties measured using the cost model and long-term equity investments in subsidiaries, joint ventures and associates are tested for impairment if there is any indication that an asset may be impaired at the balance sheet date. Intangible asset that is not ready for its intended use is tested at least annually 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.

#### 20. Long-term prepaid expenses

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

#### 21. Employee benefits

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

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

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

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(All amounts in RMB unless otherwise stated)

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

#### 21. Employee benefits (continued)

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

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

##### (a) Basic pension insurance

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

##### (b) Enterprise annuities plan

Besides the above social basic pension insurance, the Company establishes an enterprise annuities plan in accordance with relevant national enterprise annuity system policies ("enterprise annuities plan"), in which the Group's employees can voluntarily participate. The corresponding expenditures that appropriated by the certain proportion of employees' total wages, are recorded in profit or loss for the current 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.

#### 22. Provisions

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

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

#### 22. 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.

#### 23. Dividends distribution

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

#### 24. Revenue recognition

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

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

- (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.

## Notes to Financial Statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

#### 24. Revenue recognition (continued)

- (4). Revenue from construction consulting services is recognised based on the percentage of completion of the contract, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably as at the balance sheet date. The percentage of completion is estimated by reference to the percentage of work completed, or to the percentage of services provided, or to the costs incurred to date as compared to the total costs to be incurred under the contract. When the outcome of the services provided cannot be estimated reliably, services income is recognised at the same amount of service costs incurred only to the extent that such expenses are probable to be recovered.
- (5). Advertising revenue is recognised on a straight-line basis over the contract period.
- (6). 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.
- (7). Income from an operating lease is recognised on a straight-line basis over the period of the lease.

#### 25. Government grants

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

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

##### (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 profit or loss for the current year.

##### (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.

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

#### 26. Deferred income tax assets and deferred income tax liabilities

Deferred income tax assets and deferred income 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 income 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 income tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred income tax asset or deferred income 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 income tax assets and deferred income 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 income tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred income 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 income tax assets are recognised.

Deferred income tax assets and liabilities are offset when:

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

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

##### Segment information

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

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

## Notes to Financial Statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

#### 28. 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 deferred income tax assets	Approved by the Board of Directors of the Company on 29 Jan 2016	31 December 2015	(1)

##### (1). Changes in accounting estimates of deferred income tax assets

During the fourth quarter of 2014, Guangle Expressway (Guangzhou – Lechang, in Guangdong), being the parallel road of Qinglian Expressway, and Erguang Expressway (Lianzhou to Huaiji section, in Guangdong) commenced operation. As the construction of the link between Guangqing Expressway and Qinglian Expressway was delayed, and it has much more negative impact on Qinglian Expressway than expected. Based on operating performance of 2015 and the estimates of future traffic volume and revenue, the Group changed its accounting estimates of deferred income tax assets in relation to Qinglian Company's tax losses at the end of 2015. Pursuant to the approval of the Board of Directors of the Company, the Group adjusted the deferred income tax assets of Qinglian Company prospectively as at 31 December 2015. The accounting impacts to 2015 as follows:

	Amount
Increase in deferred income tax liabilities (Note 1)	45,934,300.00
Decrease in minority interests	10,854,275.09
Increase in income tax expenses	45,934,300.00
Decrease in profit and losses attributable to minority interests	10,854,275.09
Decrease in net profit attributable to owners of the Company	35,080,024.91

Note 1: The change in accounting estimate decreased the Group's deferred income tax assets before offset by RMB45,934,300.00 as at 31 December 2015. Taken account of the offsetting effect, the change in accounting estimate increased the Group's net balance of deferred income tax liabilities by RMB45,934,300.00 as at 31 December 2015.

The change in accounting estimates will decrease the magnitude of deferred income tax assets to be utilised of Qinglian Company in the future.



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

#### 29. Other critical accounting estimates and judgments:

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

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

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

As stated in Note III.24(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 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 is different from management's current estimates, the construction management services income and costs will be changed prospectively.

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

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

The Company has entered into an agreement with Transport Commission of Shenzhen Municipality ("Shenzhen Transportation Bureau") related to the tolls adjustment and compensation arrangements of Nanguang Expressway, Yanpai Expressway and Yanba Expressway (the "Three Expressways") (Note V.27(a)) at the end of 2015. The Company will retain its fee entitle right of the Three Expressways from 7 February 2016 to 31 December 2018 and, the agreement does not change amortisation method of the Three Expressways as concession intangible assets. The amortisation is still based on expected traffic volume during the concession periods.

## Notes to Financial Statements

For the year ended 31 December 2015  
(All amounts in RMB unless otherwise stated)

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

#### 29. Other critical accounting estimates and judgments (continued)

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

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

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

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

##### (4). Income tax and deferred income 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 income tax provisions in the period in which such determination is made.

The Group recognises deferred income 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 income 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 income tax assets in the period in which such determination is made.

##### (5). Impairment assessment of concession intangible assets

In accordance with the accounting policies mentioned in Note III.19, the Group would perform impairment test for intangible assets if there is any indication that an asset may be impaired at the balance sheet date. Because there was an indication that Qinglian Expressway suffered an impairment loss in the current year, the Company assessed its recoverable amount of the concession intangible assets and provision for impairment losses has been made for the concession intangible assets of Qinglian Expressway in the consolidated financial statements of 2015 amounting to RMB620 million. Provision for impairment losses has been made for long-term equity investments in the Company financial statements of 2015 amounting to RMB680 million.

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

#### 29. Other critical accounting estimates and judgments (continued)

##### (5). Impairment assessment of concession intangible assets (continued)

The Company assessed the recoverable amount of the concession intangible assets of Qinglian Expressway by discounting the future cash flows expected to be derived from projected traffic volume in the remaining concession period, which was estimated by an independent professional traffic volume organisation. The Company appointed an independent valuer to estimate the recoverable amount of Qinglian Expressway based on estimated traffic volume. Forecasting and valuation aforesaid required estimates and assumptions used in calculating cash flow model. Assumptions used by the Company were mainly based on market conditions as at the evaluation date, including estimated growth of traffic volume, regional economic development, impact of future expressway network planning to the traffic volume, impact of expressway conditions and overhaul and maintenance fees, applicable tax rates of business tax and corporate income tax, and discounted rates equivalent to business risk. The discount rate used by the Company is 8.45%. If these circumstances change in the future, such a change will have impacts on the recoverable amount of the concession intangible assets of Qinglian Expressway.

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

In the current year, the Group acquired additional 10% interests in Qinglong Company by acquiring 100% equity interests in Fameluxe Company at a preliminary cash consideration of RMB280 million. After completion of the transaction, the Company will directly and indirectly hold an aggregate of 50% equity interests of Qinglong Company. Please refer to Note VI.2 for acquisition details. In accordance with the policies mentioned in Note III.5(1), identifiable net assets acquired shall be measured at fair value at the acquisition date.

The Company assessed the fair value of the identifiable net assets acquired based on the projected traffic volume of Shuiguan Expressway estimated by an independent professional traffic volume consultant and the valuation of Shuiguan Expressway performed by independent evaluation consultant, as well as triggering condition for consideration adjustment in purchase agreement: 1) Qinglong Company and the local government authority enter into an agreement in relation to the traffic management arrangement and adjustment scheme of Shuiguan Expressway on or before 31 December 2016, and if the comparable price is lower the preliminary consideration; 2) from the date of signing of the share transfer agreement to 31 December 2016, the aforesaid adjustment agreement is not yet entered into and the relevant government authorities failed to grant the approval for the extension application of Shuiguan Expressway, or if the extension period of concession granted under the approval is shorter than five years. Based on available information and data, the Company made the best estimate that Qinglong Company was probable to obtain an approval of additional 4 tolling years before 31 December 2016, and the acquisition consideration of the 10% interests was estimated at RMB266 million. Therefore, the fair value of 50% equity shares of Qinglong Company was approximately RMB1,330 million, of which RMB 900 million was recognised as investment income on income statement as an increase of the fair value of the 40% equity shares originally held by the Company (Note VI.2).

## Notes to Financial Statements

For the year ended 31 December 2015  
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### IV. TAXATION

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

Category	Tax base	Tax rate
Corporate income tax ("CIT")	Taxable income	IV.2
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 and non-construction consulting service	6%

#### 2. Others

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

	Applicable tax rate
Mei Wah Industrial (Hong Kong) Limited ("Mei Wah Company") (1)	25%
Maxprofit Gain Limited ("Maxprofit Company") (1)	25%
Jade Emperor Limited ("JEL Company") (1)	25%
Fameluxe Company (2)	16.5%
Consulting Company (3)	15%
Testing Company (3)	15%
Shenzhen Expressway Finance I Limited (5)	NA
The Company and other subsidiaries	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). Fameluxe Company is incorporated in Hongkong with the applicable income tax rate of 16.5%.
- (3). Consulting Company and Testing Company were reviewed and determined as national high and new tech enterprises by Science and Technology Bureau of Shenzhen respectively in 2013 and 2015, respectively. In accordance with requirements of the Administrative Measures for Determination of High and New Tech Enterprises ("Guo Ke Fa (2008) No. 172") and Corporate Income Tax Law and the accompanying Implementation, Consulting Company and Testing Company were entitled to the preferential corporate income tax at the rates of 15% for 3 years as from 2013 and 2015, respectively.
- (4). According to the Notice of Tax Matters ("Long Di Shui (2015) No.24") issued by Local Tax Bureau of Longli County, Guizhou Province in 2015, Guishen Company, the subsidiary of the Company, is entitled to CIT verification collection method for the period from 1 January 2015 to 31 December 2015 and the taxable income is calculated at 8% of total revenue for the period from 1 January 2015 to 31 December 2015.
- (5). Shenzhen Expressway Finance I Limited is incorporated in British Virgin Islands, where the company is exempt from cooperate income tax.

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Cash at bank and on hand

	31 December 2015	31 December 2014
Cash on hand	12,730,782.03	11,445,715.38
Bank deposits	6,409,647,048.86	1,622,853,156.96
<b>Total</b>	<b>6,422,377,830.89</b>	1,634,298,872.34
Including: cash abroad	75,887,597.04	73,477,121.92

The Company has been engaged to manage certain highway construction projects. As at 31 December 2015, project funds retained for construction management were RMB241,385,764.83 (31 December 2014: RMB379,143,974.97). Cash on hand amounts was RMB59,336.00, and bank deposits were RMB241,326,428.83. No bank balances have been frozen due to dispute. 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 2015					31 December 2014				
	Ending balance		Provision for bad debts			Ending balance		Provision for bad debts		
	Amount	% of total balance	Amount	Ratio	Book value	Amount	% of total balance	Amount	Ratio	Book value
Individually significant and provision separately assessed	-	-	-	-	-	-	-	-	-	-
Provision assessed collectively	659,832,794.56	100.00	-	-	659,832,794.56	721,306,986.74	100.00	-	-	721,306,986.74
Group 1	497,600,067.69	75.41	-	-	497,600,067.69	660,438,689.36	91.56	-	-	660,438,689.36
Group 2	162,232,726.87	24.59	-	-	162,232,726.87	60,868,297.38	8.44	-	-	60,868,297.38
Individually not significant but provision separately assessed	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>659,832,794.56</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>659,832,794.56</b>	<b>721,306,986.74</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>721,306,986.74</b>

## Notes to Financial Statements

For the year ended 31 December 2015  
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### V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 2. Accounts receivables (continued)

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

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

Ageing	31 December 2015		
	Accounts receivable	Provision for bad debts	Ratio
Within 1 year	156,937,507.84	–	–
1 to 2 years	2,979,952.42	–	–
2 to 3 years	2,315,266.61	–	–
<b>Total</b>	<b>162,232,726.87</b>	<b>–</b>	<b>–</b>

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

	Balance	Provision for bad debts	% of total balance
Total balances due from the five largest accounts receivables assembled	514,535,982.56	–	77.98%

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

	31 December 2015	31 December 2014
Within 1 year	228,924,786.90	478,418,880.42
1 to 2 years	277,638,044.71	132,910,177.74
2 to 3 years	101,370,814.82	89,714,242.23
3 years and above	51,899,148.13	20,263,686.35
<b>Total</b>	<b>659,832,794.56</b>	<b>721,306,986.74</b>

#### 3. Advances to suppliers

As at 31 December 2015, 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 613.2 Mu. 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.

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

### 3. Advances to suppliers (continued)

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

Ageing	31 December 2015		31 December 2014	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	155,111,527.01	64.07	177,612,645.17	75.04
1 to 2 years	86,644,014.86	35.79	58,552,894.01	24.73
2 to 3 years	155,290.00	0.06	556,030.00	0.23
3 years and above	205,000.00	0.08	–	–
<b>Total</b>	<b>242,115,831.87</b>	<b>100.00</b>	<b>236,721,569.18</b>	<b>100.00</b>

As at 31 December 2015, advances to suppliers over 1 year mainly comprised advances for acquisition of land use rights and advances for designing fees which were not fully settled since the delivery conditions of the rights specified in the acquisition contracts had not been met or the contracts have not been completed.

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

	Amount	% of total balance
Total accumulated advances to suppliers from the five largest suppliers	228,463,372.91	94.36%

### 4. Other receivables

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

Category	31 December 2015					31 December 2014				
	Ending balance		Provision for bad debts			Ending balance		Provision for bad debts		
	Amount	% of total balance	Amount	% of total balance	Book value	Amount	% of total balance	Amount	% of total balance	Book value
Individually significant and provision separately assessed	–	–	–	–	–	–	–	–	–	–
Provision assessed Collectively	123,461,626.41	100.00	–	–	123,461,626.41	98,912,102.78	100.00	–	–	98,912,102.78
Group 1	78,988,427.66	63.98	–	–	78,988,427.66	91,225,577.55	92.23	–	–	91,225,577.55
Group 2	44,473,198.75	36.02	–	–	44,473,198.75	7,686,525.23	7.77	–	–	7,686,525.23
Individually not significant but provision separately assessed	–	–	–	–	–	–	–	–	–	–
<b>Total</b>	<b>123,461,626.41</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>123,461,626.41</b>	<b>98,912,102.78</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>98,912,102.78</b>

## Notes to Financial Statements

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

#### 4. Other receivables (continued)

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

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

Ageing	31 December 2015		
	Other receivables	Provision for bad debts	% of total balance
Within 1 year	36,851,878.36	–	–
1 to 2 years	1,746,627.11	–	–
2 to 3 years	5,874,693.28	–	–
<b>Total</b>	<b>44,473,198.75</b>	<b>–</b>	<b>–</b>

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

Nature	31 December 2015	31 December 2014
Loans to related parties	31,580,381.94	–
Land expropriation and resettlement compensation receivable	28,328,230.00	–
Project deposit	16,578,454.06	–
Staff advances	12,311,630.57	395,519.38
Penalty receivable	8,000,000.00	–
Advances	5,441,966.56	93,585,886.18
Advertising receivable	4,500,000.00	–
Administrative imprest	4,151,014.87	1,555,698.90
Others	12,569,948.41	3,374,998.32
<b>Total</b>	<b>123,461,626.41</b>	<b>98,912,102.78</b>

##### (3). As at 31 December 2015, the five largest other receivables are analysed as follows:

Company name	Nature	31 December 2015	Ageing	% of total balance	Provision for bad debts
Shenzhen Huayu Investment Development (Group) Limited ("Huayu Investment")	Borrowing	31,580,381.94	Over 3 years	25.58	–
Shenzhen International Joint Land Company Limited ("Joint Land Company")	Resettlement compensation receivable	28,328,230.00	Within 1 year	22.94	–
Guizhou Wan Jin Property Company Limited	Penalty receivable	8,000,000.00	Within 1 year	6.48	–
Shenzhen Yidaitianjiao Advertising Company Limited	Leasing performance bond	4,500,000.00	Within 1 year	3.64	–
Shenzhen Guangshen Coastal Expressway Investment Company ("Coastal Company")	Prepaid payroll	3,918,992.36	Within 1 year	3.17	–
<b>Total</b>		<b>76,327,604.30</b>		<b>61.81</b>	<b>–</b>



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

### 5. Inventories

#### (1). Inventory classification

Item	31 December 2015			31 December 2014		
	Carrying amount	Allowance for impairment	Net book amount	Carrying amount	Allowance for impairment	Net book amount
Properties under developed	407,110,780.56	-	407,110,780.56	404,864,764.34	-	404,864,764.34
Properties in development	235,827,158.99	-	235,827,158.99	124,497,961.74	-	124,497,961.74
Toll tickets	4,729,835.35	-	4,729,835.35	4,236,049.20	-	4,236,049.20
Maintenance and repair parts	682,490.24	-	682,490.24	887,613.87	-	887,613.87
Low value consumables	362,991.22	-	362,991.22	261,585.95	-	261,585.95
<b>Total</b>	<b>648,713,256.36</b>	<b>-</b>	<b>648,713,256.36</b>	<b>534,747,975.10</b>	<b>-</b>	<b>534,747,975.10</b>

#### (2). Borrowing costs capitalisation

During the year 2015, the Group had capitalised borrowing costs amounting to RMB4,110,240.49 (2014: RMB82,849.32) on properties under development.

### 6. Held-for-sale assets

Item	31 December 2015 Book Value	31 December 2015 Fair Value	Estimated Disposal Cost	Estimated Disposal Time
Prepayments	169,004,404.40	234,865,100.00	-	The second quarter of 2016
<b>Total</b>	<b>169,004,404.40</b>	<b>234,865,100.00</b>	<b>-</b>	

On 30 December 2015, an irrevocable contract was signed by Guizhou Shenzhen Expressway Property Co. Ltd (Property Company), a subsidiary of the Company and Shenzhen International Logistics Development Co., Ltd ("Shenzhen International Logistics", a related party of the Company), pursuant to which Property Company would transfer its obligation rights and equity interest in Guizhou Pengbo Investment Company Limited ("Pengbo Company") and Hengtongli Company to Shenzhen International Logistics after its restructuring. The transaction is expected to be completed within one year. The prepayments of Pengbo Company in the subsidiaries to dispose are classified as assets held for sale and are separately presented on the balance sheet.

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

Item	31 December 2015	31 December 2014
Receivables from Longli BT Project (Note V.9(a))	86,023,947.55	-
Receivables due from the Shenzhen Government in relation to the compensation of the toll adjustment of Meiguan Expressway (Note V.9(b))	53,058,322.11	800,000,000.00
<b>Total</b>	<b>139,082,269.66</b>	<b>800,000,000.00</b>

## Notes to Financial Statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

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

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

Item	31 December 2015			31 December 2014		
	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	3,000,000.00
<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>3,000,000.00</b>

As at 31 December 2015 and 31 December 2014, 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 fair value of the available-for-sale financial assets cannot be reliably measured. Hence it is measured at cost. The Group does not have any plan to dispose the available-for-sale financial assets.

#### 9. Long-term receivables

Item	31 December 2015			31 December 2014			Range of discount rate
	Carrying amount	Bad debt provision	Net book amount	Carrying amount	Bad debt provision	Net book amount	
Due from Guizhou Longli County Government in relation to the project management services provided to Longli BT Project(a)	142,714,976.24	-	142,714,976.24	111,192,373.03	-	111,192,373.03	9%
Receivables due from the Shenzhen Government in relation to the Compensation resulted from the toll adjustment of Meiguan Expressway (b)	53,058,322.11	-	53,058,322.11	1,980,587,517.90	-	1,980,587,517.90	4.75%-6.15%
Compensation interest receivable due from Shenzhen Government related to toll adjustment of Yanba, Yanpai and Nanguang("Three Expressways")	12,019,232.87	-	12,019,232.87	-	-	-	4.35%-4.75%
Sub-total	207,792,531.22	-	207,792,531.22	2,091,779,890.93	-	2,091,779,890.93	
Less: Current portion	139,082,269.66	-	139,082,269.66	800,000,000.00	-	800,000,000.00	
<b>Total</b>	<b>68,710,261.56</b>	<b>-</b>	<b>68,710,261.56</b>	<b>1,291,779,890.93</b>	<b>-</b>	<b>1,291,779,890.93</b>	

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

### 9. Long-term receivables (continued)

- (a) The Longli BT Project was completed by the end of 2014, which was constructed by the Company's subsidiary Guishen Company. As at 31 December 2015, due from Guizhou Longli County Government in relation to the project management services provided to Longli BT Project is RMB1.42 billion, inclusive RMB0.86 million will be received within a year.
- (b) The Company, Meiguan Company (a subsidiary of the Company) entered into an "Agreement on the compensation of the adjustment of Meiguan Expressway and transfer of related assets" (the "Adjustment Agreement") with Shenzhen Transportation Bureau and Shenzhen Longhua New Area Administrative Committee who represented the People's Government of Shenzhen on 27 January 2014. Pursuant to this Adjustment Agreement, the Company implemented toll-free for section from Meilin to Guanlan of Meiguan Expressway with a distance measured at approximately 13.8 km ("Toll Free Section") from the midnight of 31 March 2014. The People's Government of Shenzhen undertook to make cash compensation to the Company. The balance represented the compensation receivables and related interest income from Shenzhen Municipal Government as of 31 December 2015, which is expected to be settled in 2016.
- (c) Interest income recognized during the year using effective interest method was RMB104,392,522.20 (2014: RMB90,163,340.16).

### 10. Long-term equity investments

Investee	31 December 2014	Current year movement					31 December 2015	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	Investment cost transferred			
<b>Joint ventures</b>									
Changsha Shenchang Expressway Company Limited ("Shenchang Company")	158,764,459.37	-	13,822,650.42	-11,111,979.86	-	-	161,475,129.93	51	-
Gansu Highway Aviation Tourism Engineering Consulting Company Limited	-	4,103,978.37	-	-	-	-	4,103,978.37	40	-
Sub-total	158,764,459.37	4,103,978.37	13,822,650.42	-11,111,979.86	-	-	165,579,108.30	-	-
<b>Associates</b>									
Qinglong Company(3)	222,785,937.92	-	73,041,973.11	-131,558,858.33	-	-164,269,052.70	-	40	-
Consulting Company(3)	22,894,198.93	-	2,286,158.17	-	-	-25,180,357.10	-	24	-
Shenzhen Huayu Expressway Investment Company ("Huayu Company")	45,801,975.84	-	2,162,630.77	-	-	-	47,964,606.61	40	-
Guangdong Jiangzhong Expressway Company Limited ("Jiangzhong Company")	298,370,999.28	-	10,998,348.76	-10,450,000.00	-	-	298,919,348.04	25	-
Nanjing Yangtze River Third Bridge Company Limited ("Nanjing Third Bridge Company")	288,805,363.87	-	31,733,682.65	-23,114,868.52	-	-	297,424,178.00	25	-
Guangdong Yangmao Expressway Company Limited ("Yangmao Company")	273,717,113.35	-	79,685,155.78	-65,000,000.00	-	-	288,402,269.13	25	-
Guangzhou Western Second Ring Expressway Company Limited ("GZ W2 Company")	243,779,553.06	-	450,481.59	-4,292,885.71	-	-	239,936,185.76	25	-
Yunfu Guangyun Expressway Company Limited ("Guangyun Company")	112,047,521.39	-	37,431,255.21	-37,431,255.22	-16,568,744.77	-	95,478,776.61	30	-
Shenzhen International Joint Land Company Limited ("Joint Land Company")	28,523,449.33	524,300,000.00	-2,737,897.19	-	-	-	550,085,552.14	49	-
Sub-total	1,536,726,112.97	524,300,000.00	234,150,825.67	-271,847,867.78	-16,568,744.77	-189,449,409.80	1,817,310,916.29	-	-
<b>Total</b>	<b>1,695,490,572.34</b>	<b>528,403,978.37</b>	<b>247,973,476.09</b>	<b>-282,959,847.64</b>	<b>-16,568,744.77</b>	<b>-189,449,409.80</b>	<b>1,982,890,024.59</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.
- (3). Consulting Company and Qinglong Company became subsidiaries since 1 July and 30 October 2015, respectively (Note VI. 2).

## Notes to Financial Statements

For the year ended 31 December 2015  
(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>I. Cost</b>					
1. 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
2. Current year additions	99,194,944.48	131,030,385.38	9,220,049.83	27,026,524.07	266,471,903.76
(1) Purchase	3,038,226.69	26,002,644.21	2,982,684.04	13,411,606.21	45,435,161.15
(2) Transfers from construction in progress	1,772,232.05	34,366,767.97	–	268,678.00	36,407,678.02
(3) Addition from acquisition of a subsidiary	94,384,485.74	70,660,973.20	6,237,365.79	13,346,239.86	184,629,064.59
3. Current year reductions	398,993.60	6,302,533.51	1,305,469.10	1,081,892.60	9,088,888.81
(1) Other disposal	398,993.60	6,302,533.51	1,305,469.10	1,081,892.60	9,088,888.81
4. 31 December 2015	712,930,449.33	1,294,442,284.40	37,930,799.91	80,544,195.74	2,125,847,729.38
<b>II. Accumulated depreciation</b>					
1. 31 December 2014	168,143,688.93	603,519,782.52	22,448,880.39	42,954,417.21	837,066,769.05
2. Current year additions	26,179,835.47	101,653,821.55	3,698,835.50	6,320,036.92	137,852,529.44
(1) Addition	26,179,835.47	101,653,821.55	3,698,835.50	6,320,036.92	137,852,529.44
3. Current year reductions	362,065.26	3,615,750.34	448,647.75	856,766.45	5,283,229.80
(1) Other reductions	362,065.26	3,615,750.34	448,647.75	856,766.45	5,283,229.80
4. 31 December 2015	193,961,459.14	701,557,853.73	25,699,068.14	48,417,687.68	969,636,068.69
<b>III. Net book value</b>					
31 December 2015	518,968,990.19	592,884,430.67	12,231,731.77	32,126,508.06	1,156,211,660.69
31 December 2014	445,990,809.52	566,194,650.01	7,567,338.79	11,645,147.06	1,031,397,945.38

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

Item	Carrying amount	Reason for lacking certificates of ownership
Buildings	393,729,090.32	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 2015, depreciation expenses amounting to RMB132,380,647.60 and RMB5,471,881.84 had been charged into costs of services and general and administrative expenses, respectively (2014: RMB122,896,335.51 and RMB4,789,017.15).

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

## 12. Construction in progress

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

Item	31 December 2015			31 December 2014		
	Carrying amount	Impairment	Net book amount	Carrying amount	Impairment	Net book amount
Extension projects of Fumin Station of Airport-Heao Expressway (Eastern Section)	12,330,609.77	-	12,330,609.77	4,200,872.11	-	4,200,872.11
Toll-by-weight projects	3,126,975.00	-	3,126,975.00	150,000.00	-	150,000.00
Nation-wide ETC toll interconnection project	2,804,935.98	-	2,804,935.98	-	-	-
Billboard and light box projects	559,000.00	-	559,000.00	2,100,232.05	-	2,100,232.05
Road monitoring projects	-	-	-	4,820,816.97	-	4,820,816.97
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
Others	10,634,565.67	-	10,634,565.67	11,948,099.51	-	11,948,099.51
<b>Total</b>	<b>29,456,086.42</b>	<b>-</b>	<b>29,456,086.42</b>	<b>26,931,901.19</b>	<b>-</b>	<b>26,931,901.19</b>

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

Item	Budget amount	31 December 2014	Addition from acquisition of a subsidiary	Current year additions	Transfer to fixed assets	Transfer to intangible assets	Other reductions in current year	31 December 2015	% contribution in budget of current year	Progress of construction	Interests capitalised	Source of funds
Extension projects of Fumin Station of Airport-Heao Expressway (Eastern Section)	20 million	4,200,872.11	-	11,364,843.51	-3,235,105.85	-	-	12,330,609.77	56.82	In progress	-	Self-owned funds
Toll-by-weight projects	22 million	150,000.00	-	12,793,990.80	-9,667,015.80	-150,000.00	-	3,126,975.00	58.15	In progress	-	Self-owned funds
Nation-wide ETC toll interconnection project	53 million	-	-	6,836,797.78	-3,586,851.80	-445,010.00	-	2,804,935.98	12.90	In progress	-	Self-owned funds
Billboard and light box projects	10 million	2,100,232.05	-	291,000.00	-1,772,232.05	-	-60,000.00	559,000.00	2.91	In progress	-	Self-owned funds
Road monitoring projects	5 million	4,820,816.97	-	-	-4,820,816.97	-	-	-	-	Completed	-	Self-owned funds
Integrated toll system projects	3 million	1,873,880.55	-	-	-1,873,880.55	-	-	-	-	Completed	-	Self-owned funds
Renovation project of Tingzu Station of Wuhuang Expressway	8 million	1,838,000.00	-	-	-1,838,000.00	-	-	-	-	Completed	-	Self-owned funds
Decoration of science park	3 million	71,366.10	-	1,995,178.56	-	-	-2,066,544.66	-	66.51	Completed	-	Self-owned funds
Others	*	11,876,733.41	943,459.08	9,670,172.33	-9,613,775.00	-	-2,242,024.15	10,634,565.67	*	In progress	-	Self-owned funds
<b>Total</b>		26,931,901.19	943,459.08	42,951,982.98	-36,407,678.02	-595,010.00	-4,368,568.81	<b>29,456,086.42</b>	-	-	-	-

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

## Notes to Financial Statements

For the year ended 31 December 2015  
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### V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 13. Intangible assets

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

Item	Concession intangible assets(a)	Office software	Billboard land use rights	Total
<b>I. Cost</b>				
1. 31 December 2014	20,351,384,264.98	12,454,416.13	153,740,454.33	20,517,579,135.44
2. Current year additions	4,482,082,247.58	15,234,350.47	327,025.00	4,497,643,623.05
(1) Purchased	-	1,561,685.20	327,025.00	1,888,710.20
(2) Addition from acquisition of a subsidiary	4,448,811,774.58	13,077,655.27	-	4,461,889,429.85
(3) Other additions	33,270,473.00	595,010.00	-	33,865,483.00
3. Current year reductions	2,340,921.02	-	220,869.08	2,561,790.10
(1) Other reductions	2,340,921.02	-	220,869.08	2,561,790.10
4. 31 December 2015	24,831,125,591.54	27,688,766.60	153,846,610.25	25,012,660,968.39
<b>II. Accumulated amortisation</b>				
1. 31 December 2014	4,251,546,025.56	3,070,787.28	108,300,587.62	4,362,917,400.46
2. Current year additions	738,276,538.34	3,912,674.36	15,778,581.22	757,967,793.92
(1) Additions	738,276,538.34	3,912,674.36	15,778,581.22	757,967,793.92
3. 31 December 2015	4,989,822,563.90	6,983,461.64	124,079,168.84	5,120,885,194.38
<b>III. Impairment</b>				
1. 31 December 2014	-	-	-	-
2. 31 December 2015 (a)	620,000,000.00	-	-	620,000,000.00
<b>IV. Net book value</b>				
1. 31 December 2015	19,221,303,027.64	20,705,304.96	29,767,441.41	19,271,775,774.01
2. 31 December 2014	16,099,838,239.42	9,383,628.85	45,439,866.71	16,154,661,734.98

##### (2). Concession intangible assets

###### (a) Movement of concession intangible assets:

	Cost	31 December 2014	Addition	Amortisation	Other deduction	Impairment	31 December 2015	Accumulated amortisation
Qinglian Expressway	9,280,989,698.71	8,185,105,346.07	32,817,477.46	180,517,106.20	-	620,000,000.00	7,417,405,717.33	1,243,583,981.38
Nanguang Expressway	2,803,131,823.61	2,498,084,587.56	452,995.54	80,937,021.24	-	-	2,417,600,561.86	385,531,261.75
Shenzhen Airport-Heao Expressway (Eastern Section)	3,092,170,511.84	2,147,754,558.48	-	184,907,211.91	-	-	1,962,847,346.57	1,129,323,165.27
Shuiguan Expressway	4,448,811,774.58	-	4,448,811,774.58	54,221,162.28	-	-	4,394,590,612.30	54,221,162.28
Yanba Expressway	1,255,337,192.11	1,001,177,034.28	-	45,553,571.54	-	-	955,623,462.74	299,713,729.37
Wuhuang Expressway	1,523,192,561.64	773,812,054.13	-	84,724,798.25	-	-	689,087,255.88	834,105,305.76
Meiguan Expressway	613,047,550.07	409,746,555.09	-	32,972,651.10	2,340,921.02	-	374,432,982.97	238,614,567.10
Yanpai Expressway	910,532,308.18	606,483,638.35	-	36,172,214.90	-	-	570,311,423.45	340,220,884.73
Shenzhen Airport-Heao Expressway (Western Section)	843,517,682.25	417,279,976.91	-	38,270,800.92	-	-	379,009,175.99	464,508,506.26
Outer Ring Expressway	60,394,488.55	60,394,488.55	-	-	-	-	60,394,488.55	-
<b>Total</b>	24,831,125,591.54	16,099,838,239.42	4,482,082,247.58	738,276,538.34	2,340,921.02	620,000,000.00	19,221,303,027.64	4,989,822,563.90

(b) The pledge information relating to the concession intangible assets of Qinglian Expressway is set out in Note V.23(1)(b).

(c) In 2015, the amortisation of intangible assets amounting to RMB757,967,793.92 was charged to current year's income statement (2014: RMB853,084,573.21).

(d) During the year, the Group did not capitalise borrowing costs (2014:nil) on intangible assets.

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

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

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

Item	31 December 2015		31 December 2014	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provisions for maintenance and resurfacing of the toll roads (a)	192,283,479.98	48,070,870.04	230,642,183.10	57,660,545.82
Compensation provided by concession grantors (b)	81,305,822.20	20,326,455.55	85,142,569.96	21,285,642.49
Deductible tax losses (c)	282,214,932.56	70,553,733.14	453,559,912.88	113,389,978.22
Operating compensation of newly built tolls of Meiguan Expressway (d)	147,210,600.81	36,802,650.20	-	-
The difference between estimated cost of extension of Meiguan Expressway allocated to Toll Free Section with its preliminary compensation (e)	28,189,460.88	7,047,365.22	28,189,460.88	7,047,365.22
Accrued operating costs for Toll Free Section of Meiguan Expressway before transferred (e)	-	-	4,676,191.28	1,169,047.82
Payroll accrued but not paid	10,758,383.00	2,689,595.75	9,552,882.00	2,388,220.50
Other	4,661,533.52	1,165,383.38	5,354,592.32	1,338,648.08
<b>Total</b>	<b>746,624,212.95</b>	<b>186,656,053.28</b>	817,117,792.42	204,279,448.15
Including:				
Expected to be utilised within 1 year (including 1 year)		34,028,489.49		39,770,292.62
Expected to be utilised over 1 year		152,627,563.79		164,509,155.53
<b>Total</b>		<b>186,656,053.28</b>		204,279,448.15

- (a) Deferred income 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 income tax asset was recognised based on the temporary difference between tax base and book value of compensation provided by concession grantors in prior years.
- (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 income tax asset on deductible tax losses was recognised.
- (d) The Group received prepayment from the Shenzhen government for compensation for the toll adjustment of Three Expressway, and recognised the differences between the tax bases and book values as deferred income tax assets.
- (e) The Group recognized 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 as deferred income tax assets.

## Notes to Financial Statements

For the year ended 31 December 2015  
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### V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 14. Deferred income tax assets and deferred income tax liabilities (continued)

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

Item	31 December 2015		31 December 2014	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
The amortisation of concession intangible assets (a)	167,696,493.92	41,924,123.48	179,224,505.20	44,806,126.30
Business combinations involving enterprises not under common control (b)				
– Qinglian Company	689,435,714.73	169,054,121.78	1,338,965,721.63	331,436,623.51
– Airport-Heao Eastern Company	1,374,117,364.92	343,529,343.23	1,503,564,116.20	375,891,031.05
– Qinglong company	3,024,112,334.55	756,028,083.64	–	–
– JEL Company	523,960,267.86	130,854,233.43	584,152,614.13	145,902,319.99
– Meiguan Company	28,246,239.17	5,041,219.11	30,726,985.23	5,661,405.62
– Consulting company	15,202,927.17	2,280,439.08	–	–
Interest income from the Compensation resulted from the toll adjustment of Meiguan Expressway (c)	558,279.66	139,569.90	90,163,340.16	22,540,835.04
<b>Total</b>	<b>5,823,329,621.98</b>	<b>1,448,851,133.65</b>	<b>3,726,797,282.55</b>	<b>926,238,341.51</b>
Including:				
Expected to be settled within 1 year (including 1 year)		111,441,358.28		86,540,937.60
Expected to be settled over 1 year		1,337,409,775.37		839,697,403.91
<b>Total</b>		<b>1,448,851,133.65</b>		<b>926,238,341.51</b>

- (a) The deferred income 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, Qinglong Company, JEL Company, Meiguan Company and Consulting Company, deferred income tax liabilities were recognised on temporary differences between the fair values and book values of the respective identifiable assets and liabilities acquired.
- (c) The Company recognised interest income due to the Shenzhen Government's installment payment term of the Compensation resulted from the toll adjustment of Meiguan Expressway.



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

### 14. Deferred income tax assets and deferred income tax liabilities (continued)

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

Item	Deferred income tax assets and liabilities offset as at 31 December 2015	Net values of deferred income tax assets/liabilities as at 31 December 2015	Deferred income tax assets and liabilities offset as at 31 December 2014	Net values of deferred income tax assets/liabilities as at 31 December 2014
Deferred income tax assets	-109,038,541.33	77,617,511.95	-152,775,871.88	51,503,576.27
Deferred income tax liabilities	109,038,541.33	1,339,812,592.32	152,775,871.88	773,462,469.63

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

Item	31 December 2015	31 December 2014
Deductible tax losses	372,747,749.82	181,862,136.83
<b>Total</b>	<b>372,747,749.82</b>	<b>181,862,136.83</b>

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

Year	31 December 2015	31 December 2014
Year 2016	114,491,480.12	60,643,626.07
Year 2017	88,750,103.43	45,584,595.75
Year 2018	146,425,448.01	69,410,979.15
Year 2019	6,217,971.96	6,222,935.86
Year 2020	16,862,746.30	–
<b>Total</b>	<b>372,747,749.82</b>	<b>181,862,136.83</b>

### 15. Other non-current assets

Item	31 December 2015	31 December 2014
Share subscription	595,920,000.00	–
<b>Total</b>	<b>595,920,000.00</b>	<b>–</b>

The Company made an investment of RMB595,920,000.00 for proposed subscription of 382 million shares issued by Bank of Guizhou Company Limited, which was expected to account for 4.15% of the total share capital for the Bank of Guizhou Company Limited after its increasing in capital and shares. Because related equity alteration procedures are uncompleted, the deposit is recorded as other non-current assets.

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For the year ended 31 December 2015  
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### V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 16. Accounts payable

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

Item	31 December 2015	31 December 2014
Payables for construction projects and quality deposits	169,985,515.87	153,250,144.52
Others	12,038,443.28	11,020,807.09
<b>Total</b>	<b>182,023,959.15</b>	164,270,951.61

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

Item	Balance at 31 December 2015	Reason for unsettlement
Shenzhen Municipal Engineering Corporation	49,003,110.00	Project settlement has not completed.
Zhejiang Bayong Highway Project Company Limited	12,418,636.00	Project settlement has not completed.
Qingyuan Land and Resources Bureau	5,882,280.00	Project settlement has not completed.
Jiangxi Tongwei Highway Construction Project Group Company Limited	3,507,602.57	Project settlement has not completed.
China Railway 18th Bureau Group Company Limited	3,292,564.00	Project settlement has not completed.
<b>Total</b>	<b>74,104,192.57</b>	

#### 17. Advances from customers

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

Item	31 December 2015	31 December 2014
Advances from sales of real estates	148,038,128.10	–
Advances from construction consulting service	69,397,903.14	–
Advances from advertising customers	13,318,867.21	16,738,351.48
Others	2,092,937.37	1,583,333.37
<b>Total</b>	<b>232,847,835.82</b>	18,321,684.85

As at 31 December 2015, account collected in advance over 1 year is RMB19,725,690.37 (31 December 2014: Nil) mainly comprised project funds in advance of Consulting company, these fees were not fully settled since contracts have not been complete. The Consulting Company become a subsidiary of the Group on 1 July 2015.

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

## 18. Employee benefits payable

## (1). Analysis of employee benefits payable

Item	31 December 2014	Addition from acquisition of subsidiaries	Current year additions	Current year reductions	31 December 2015
I. Short-term wages	107,468,942.96	11,839,752.47	388,581,388.90	354,052,893.35	<b>153,837,190.98</b>
II. Pension benefits - defined contribution plans	80,128.67	703.30	30,216,918.58	30,078,823.70	<b>218,926.85</b>
<b>Total</b>	<b>107,549,071.63</b>	<b>11,840,455.77</b>	<b>418,798,307.48</b>	<b>384,131,717.05</b>	<b>154,056,117.83</b>

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

Item	31 December 2014	Addition from acquisition of subsidiaries	Current year additions	Current year reductions	31 December 2015
I. Wages and salaries, bonuses, allowances and subsidies	103,061,702.14	9,677,175.21	327,219,896.32	290,506,360.80	<b>149,452,412.87</b>
II. Staff welfare	-	2,162,198.56	24,688,553.71	26,850,752.27	-
III. Social security contributions	-	378.70	12,327,400.43	12,262,053.60	<b>65,725.53</b>
Including: Medical insurance	-	313.78	10,355,050.69	10,300,154.84	<b>55,209.63</b>
Work injury insurance	-	21.64	645,374.33	641,955.05	<b>3,440.92</b>
Maternity insurance	-	43.28	1,326,975.41	1,319,943.71	<b>7,074.98</b>
IV. Housing funds	-	-	15,619,862.21	15,613,424.80	<b>6,437.41</b>
V. Labor union funds and employee education funds	3,662,310.56	-	8,075,923.20	8,123,025.85	<b>3,615,207.91</b>
VI. Others	744,930.26	-	649,753.03	697,276.03	<b>697,407.26</b>
<b>Total</b>	<b>107,468,942.96</b>	<b>11,839,752.47</b>	<b>388,581,388.90</b>	<b>354,052,893.35</b>	<b>153,837,190.98</b>

## (3). Analysis of defined contribution plans

Item	31 December 2014	Addition from acquisition of the subsidiaries	Current year additions	Current year reductions	31 December 2015
I. Basic pensions	-	692.48	22,475,351.95	22,356,213.45	<b>119,830.98</b>
II. Unemployment insurance	-	10.82	466,060.06	463,586.01	<b>2,484.87</b>
III. Enterprise annuities	80,128.67	-	7,275,506.57	7,259,024.24	<b>96,611.00</b>
<b>Total</b>	<b>80,128.67</b>	<b>703.30</b>	<b>30,216,918.58</b>	<b>30,078,823.70</b>	<b>218,926.85</b>

## 19. Taxes payable

Item	31 December 2015	31 December 2014
Corporate income tax payable	<b>230,045,738.13</b>	501,576,347.83
Business tax payable	<b>19,519,486.82</b>	22,435,189.64
VAT payable	<b>1,514,128.09</b>	350,623.39
City maintenance and construction tax payable	<b>1,501,233.94</b>	1,553,894.11
Educational surcharge payable	<b>684,403.02</b>	718,531.21
Others	<b>4,779,944.34</b>	2,630,802.69
<b>Total</b>	<b>258,044,934.34</b>	<b>529,265,388.87</b>

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

#### 20. Interest payable

Item	31 December 2015	31 December 2014
Interest of corporate bonds	57,292,164.11	57,292,164.11
Interest of medium-term notes	52,224,448.99	36,651,833.30
Interest of long-term borrowings with interest payable in installment and principal payable upon maturity	9,273,822.41	7,092,374.63
Interest of private placement notes	–	1,338,770.14
Interest of short-term borrowings	–	6,487.35
<b>Total</b>	<b>118,790,435.51</b>	<b>102,381,629.53</b>

#### 21. Other payables

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

Item	31 December 2015	31 December 2014
Compensation received related to Toll Adjustment of Three Expressways (V (27)(a))	548,920,000.00	–
Project funds retained for construction management contracts (a)	241,385,764.83	379,143,974.97
Payable related to costs of construction management services	157,775,168.12	159,888,687.26
Payable related to maintenance for roads	85,313,040.99	74,279,355.02
Advance from associates	74,276,376.43	75,678,639.61
Guaranteed deposits for construction projects contracts or pitches	61,640,011.19	55,500,398.85
Acquisition expenses for equity shares of Fameluxe Company	46,000,000.00	–
Project funds payables to the contractors of Longli BT Project	27,883,037.20	87,208,338.23
Mechanical and electrical costs payable	19,685,903.22	20,129,964.53
Subscription payment and down payment of property development	3,997,000.00	–
Payable related to the maintenance of Airport-Heao Expressway	–	39,324,433.69
Payable related to land expropriation of Longli joint land development	–	1,002,855.33
Others	58,177,695.33	43,547,974.89
<b>Total</b>	<b>1,325,053,997.31</b>	<b>935,704,622.38</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 2015, project funds retained in the special deposit accounts amounting to RMB241,385,764.83 (31 December 2014: RMB379,143,974.97) are classified as restricted bank balance in cash flow statements.

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

### 21. Other payables (continued)

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

Item	31 December 2015	Reason for unsettlement
GZ W2 Company	37,500,000.00	Distribution in advance.
Nanjing Third Bridge Company	33,526,376.43	Distribution in advance.
CCCC Second Highway Engineering Co., Ltd.	24,711,314.17	Contract settlement has not completed.
Shandong Provincial Highway and Bridge Group Co., Ltd.	18,161,611.22	Contract settlement has not completed.
Shenzhen Municipal Engineering Corporation	5,272,289.72	Contract settlement has not completed.
<b>Total</b>	<b>119,171,591.54</b>	

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

Item	31 December 2015	31 December 2014
Current portion of non-current bonds (Note V.24(1))	1,499,997,000.00	–
Current portion of non-current borrowings (Note V.23(1))	269,200,000.00	37,360,000.00
Including: Pledged	269,200,000.00	37,360,000.00
Current portion of provisions (Note V.25)	67,043,879.39	141,896,274.98
Current portion of Private placement notes	–	798,331,054.25
Current portion of compensations to the tax and surcharges from the toll adjustment of Meiguan Expressway	–	44,800,000.00
<b>Total</b>	<b>1,836,240,879.39</b>	<b>1,022,387,329.23</b>

#### 23. Long-term borrowings

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

Item	31 December 2015	31 December 2014
Pledged	2,201,928,764.00	3,898,864,000.00
<b>Total</b>	<b>2,201,928,764.00</b>	<b>3,898,864,000.00</b>

##### (a) At 31 December 2015, the Group's borrowings were repayable as follows:

	31 December 2015	31 December 2014
Between 1 and 2 years	278,320,000.00	299,580,000.00
Between 2 and 5 years	418,524,764.00	1,301,160,000.00
Over 5 years	1,505,084,000.00	2,298,124,000.00
<b>Total</b>	<b>2,201,928,764.00</b>	<b>3,898,864,000.00</b>

## Notes to Financial Statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

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

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

(b) As at 31 December 2015, details of long-term pledged borrowings are set out as follows:

	Interest rate	Currency	Amount in RMB	Pledge details
Syndicated borrowings	5.085%-5.65%	RMB	1,981,424,000.00	Operating rights of Qinglian Expressway
Other pledged borrowings	4.90%	RMB	489,704,764.00	Operating rights of Shuiguan Expressway
Less: Current portion			269,200,000.00	
<b>Total</b>			<b>2,201,928,764.00</b>	

(c) As at 31 December 2015, the weighted average interest rate of long-term borrowings was from 4.90% to 5.65% per annum (31 December 2014: from 5.895% to 6.55%).

#### 24. Bonds payable

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

Item	31 December 2015	31 December 2014
Corporate bonds	<b>2,295,598,321.67</b>	2,294,930,168.03
Medium-term notes	<b>1,894,728,466.81</b>	995,457,406.48
Private placement notes	-	798,331,054.25
Sub-Total	<b>4,190,326,788.48</b>	4,088,718,628.76
Less: Current portion of long-term bonds	<b>1,499,997,000.00</b>	-
Current portion of private placement notes	-	798,331,054.25
<b>Total</b>	<b>2,690,329,788.48</b>	3,290,387,574.51

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

Name of bonds	Par value	Date of issuance	Maturity	Issued amount	Balance at 31 December 2014	Current year issued	Current year issuance cost	Amortisation	Current year repaid	Balance at 31 December 2015
Corporate bonds (a)	800,000,000.00	31 July 2007	15 years	800,000,000.00	794,933,168.03	-	-	668,153.64	-	<b>795,601,321.67</b>
Corporate bonds (a)	1,500,000,000.00	2 August 2011	5 years	1,500,000,000.00	1,499,997,000.00	-	-	-	-	<b>1,499,997,000.00</b>
Medium-term notes (b)	1,000,000,000.00	7 May 2014	3 years	1,000,000,000.00	995,457,406.48	-	-	1,880,164.52	-	<b>997,337,571.00</b>
Medium-term notes (b)	900,000,000.00	14 August 2015	3 years	900,000,000.00	-	900,000,000.00	2,730,000.00	120,895.81	-	<b>897,390,895.81</b>
Private placement notes	800,000,000.00	20 December 2012	3 years	800,000,000.00	798,331,054.25	-	-	1,668,945.75	800,000,000.00	-
<b>Total</b>	<b>5,000,000,000.00</b>			<b>5,000,000,000.00</b>	<b>4,088,718,628.76</b>	<b>900,000,000.00</b>	<b>2,730,000.00</b>	<b>4,338,159.72</b>	<b>800,000,000.00</b>	<b>4,190,326,788.48</b>

**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****24. 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.

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

**25. Provisions**

	31 December 2015	31 December 2014
Provisions for maintenance/resurfacing obligations	<b>192,283,480.10</b>	230,642,183.10
Less: Current portion	<b>67,043,879.39</b>	141,896,274.98
<b>Total</b>	<b>125,239,600.71</b>	88,745,908.12

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

#### 26. Deferred income

Item	31 December 2014	Addition from acquisition of subsidiaries	Current year addition	Current year reductions	31 December 2015	Explanation
Non-current liabilities						
- Compensation to operating costs for Toll Free Section of Meiguan Expressway	162,850,000.00	-	-	15,639,399.19	<b>147,210,600.81</b>	Compensation to the accrued operating costs for Toll Free Section of Meiguan Expressway before transferred provided by Shenzhen Government.
- Government compensation of demolition	-	28,438,674.50	-	968,785.63	<b>27,469,888.87</b>	Government compensation of demolition of Qinglong Company.
Current liabilities						
- Return of deed taxes	2,794,486.25	-	670,486.41	-	<b>3,464,972.66</b>	Return of deed taxes provided from Guizhou Longli County Government to Guishen Company.
<b>Total</b>	<b>165,644,486.25</b>	<b>28,438,674.50</b>	<b>670,486.41</b>	<b>16,608,184.82</b>	<b>178,145,462.34</b>	

Government grants items:

Item	31 December 2014	Additional grants in current year	Recognised in non-operating income in current year	Other movement	31 December 2015	In related to assets/income
Return of deed taxes	2,794,486.25	670,486.41	-	-	<b>3,464,972.66</b>	In related to assets
<b>Total</b>	<b>2,794,486.25</b>	<b>670,486.41</b>	<b>-</b>	<b>-</b>	<b>3,464,972.66</b>	

#### 27. Other non-current liabilities

Item	31 December 2015	31 December 2014
Toll adjustment compensation of Three Expressways (a)	<b>6,065,310,000.00</b>	-
Long-term tax and surcharges from the toll adjustment of Meiguan Expressway	<b>1,750,199.11</b>	104,673,950.68
Less: Current portion	-	44,800,000.00
<b>Total</b>	<b>6,067,060,199.11</b>	<b>59,873,950.68</b>



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

### 27. Other non-current liabilities (continued)

- (a) On 30 November 2015, the Company signed an agreement with Shenzhen Transportation Bureau regarding toll adjustment and compensation arrangement of the Three Expressways. The first phase will commence from 7 February 2016 to 31 December 2018, namely 2 years plus 10 months and 24 days. During this phase, under the circumstance that the Company retains the fee entitlement right and is responsible for the maintenance and repair of the Three Expressways, Shenzhen Transportation Bureau will purchase passing service of the related section from the Company and provide corresponding cash compensation for exemption of tolls. The Company and the Government will jointly engage third party consultant to audit the actual amount of toll revenue for the Three Expressways in each of the financial years and settle with the adjusted actual traffic volume according to the agreed approach. The second phase will commence from 1 January 2019 to maturity of the operating period of the Three Expressways. In this phase, Shenzhen Transportation Bureau may select to adopt one of the two available options, namely Option 1 and Option 2 on the basis of different conditions. Under Option 1, the Company and Shenzhen Transportation Bureau will continue to implement toll-free in the same manner in Phase 1 until the end of their respective operation periods. Under Option 2, the fee entitlement right of the Three Expressways will be returned to Shenzhen Transportation Bureau in exchange for an one-off cash compensation. Pursuant to the Three Expressways Adjustment Agreement, it is agreed to implement toll-free for the Three Expressways on 7 February 2016 in two phases in exchange for the cash compensation based on adjustment mechanism imposed by Shenzhen Transportation Bureau. As at 31 December 2015, the Company had received the first cash compensation amounting to RMB6,588,000,000.00, of which RMB548,920,000.00 is the cash compensation of 2016. The agreement has been approved by the Company's shareholders' meeting on 29 January 2016.

### 28. Share capital

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

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

### 29. Capital surplus

Year 2015	31 December 2014	Current year additions	Current year reductions	Sub-Total	31 December 2015
<b>Total</b>	2,274,351,523.42	-	-	2,274,351,523.42	

Year 2014	31 December 2013	Current year additions	Current year reductions	Sub-Total	31 December 2014
<b>Total</b>	2,274,351,523.42	-	-	2,274,351,523.42	

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

#### 30. Other comprehensive income

Year 2015	31 December 2014	2015		31 December 2015
		Pre-tax amount incurred in current year	Post-tax amount attributable to owners of the Company	
Item that may be reclassified subsequently to profit and loss:	893,604,159.01	<b>1,361.31</b>	<b>1,361.31</b>	893,605,520.32
– Appreciation of initial equity interest upon business combination	893,132,218.74	–	–	893,132,218.74
– Equity investment reserve	406,180.00	–	–	406,180.00
– Others	65,760.27	<b>1,361.31</b>	<b>1,361.31</b>	67,121.58
<b>Total</b>	893,604,159.01	<b>1,361.31</b>	<b>1,361.31</b>	893,605,520.32

Year 2014	31 December 2013	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	-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
– Cash flow hedges	14,798,681.06	-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>	908,402,840.07	-14,798,681.06	-14,798,681.06	893,604,159.01

#### 31. Surplus reserve

Year 2015	31 December 2014	Current year additions	Current year reductions	31 December 2015
Statutory surplus reserve	1,431,199,699.68	31,292,938.38	–	<b>1,462,492,638.06</b>
Discretionary surplus reserve	453,391,330.06	–	–	<b>453,391,330.06</b>
<b>Total</b>	1,884,591,029.74	31,292,938.38	–	<b>1,915,883,968.12</b>

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>	1,681,423,475.54	203,167,554.20	–	1,884,591,029.74

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 RMB31,292,938.38 for the year 2015 (2014: 10% of the net profit for year, amounting to RMB203,167,554.20) 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 2015 (2014: nil).

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

### 32. Undistributed profits

Item	2015	2014
Undistributed profits at the beginning of the year	<b>4,564,264,823.15</b>	2,929,472,264.02
Add: Net profit attributable to equity holders of the Company in current year	<b>1,552,656,397.24</b>	2,186,883,365.49
Less: Appropriation for statutory surplus reserve	<b>31,292,938.38</b>	203,167,554.20
Dividends	<b>981,346,646.70</b>	348,923,252.16
Undistributed profits at the end of the year	<b>5,104,281,635.31</b>	4,564,264,823.15

In accordance with the resolution passed in the Annual General meeting on 15 May 2015, the Company proposed a cash dividend to all shareholders amounting to RMB981,346,646.70, which was calculated by reference to the 2,180,770,326 shares issued and a dividend of RMB0.45 per share. The cash dividend has been paid in 2015 and represents 44.90% of the net profit for the year ended 31 December 2014.

In accordance with the resolution passed in the Board on 18 Mar 2016, the Company proposed a cash dividend to all shareholders amounting to RMB741,461,910.84, which was calculated by reference to the 2,180,770,326 shares issued and a dividend of RMB0.34 per share. The proposed final dividend resolution is subject to the approval in the shareholders' meeting (Note XII.2). The cash dividend represents 47.75% of the net profit for the year ended 31 December 2015.

### 33. Revenue and cost of services

Item	2015		2014	
	Revenue	Cost	Revenue	Cost
Main business - toll road business	<b>3,014,057,419.87</b>	<b>1,419,449,529.10</b>	3,007,632,196.48	1,469,574,017.81
Other businesses -				
Construction consulting services (a)	<b>191,395,731.53</b>	<b>143,283,969.75</b>	-	-
Management services	<b>94,616,571.10</b>	<b>39,480,267.24</b>	503,436,013.28	172,475,017.91
Advertising services	<b>94,413,581.70</b>	<b>50,528,959.99</b>	97,980,069.65	61,677,530.05
Others	<b>26,095,030.99</b>	<b>26,004,883.37</b>	11,309,200.67	1,529,371.08
Sub-Total of other businesses	<b>406,520,915.32</b>	<b>259,298,080.35</b>	612,725,283.60	235,681,919.04
<b>Total</b>	<b>3,420,578,335.19</b>	<b>1,678,747,609.45</b>	3,620,357,480.08	1,705,255,936.85

(a) Revenue from providing construction consulting services of Consulting Company

The Amount for this year is since 1 July 2015 (consolidation date) (Note VI.2) to 31 December 2015.

### 34. Business tax and surcharges

Item	2015	2014
Business tax	<b>106,070,204.24</b>	112,968,301.54
City maintenance and construction tax	<b>8,054,725.06</b>	8,129,561.51
Educational surcharge	<b>5,777,607.37</b>	5,913,211.68
Construction fee for country culture development	<b>2,169,767.73</b>	2,921,657.47
Others	<b>569,328.15</b>	1,090,609.21
<b>Total</b>	<b>122,641,632.55</b>	131,023,341.41

## Notes to Financial Statements

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(All amounts in RMB unless otherwise stated)

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

#### 35. General and administrative expenses

Item	2015	2014
Salary and wages	74,256,089.00	55,434,235.89
Lawyer and consulting fee	16,160,362.11	3,385,879.32
Depreciation	7,114,211.41	7,062,735.55
Leasing fees	5,039,501.93	2,646,591.00
Audit fees	5,035,100.00	4,020,000.00
Office and communication fees	3,333,581.66	1,277,936.57
Expenses paid to stock exchanges	3,263,044.91	3,488,154.95
Office management expenses	2,815,388.41	2,042,464.33
Others	16,994,529.96	9,135,968.75
<b>Total</b>	<b>134,011,809.39</b>	<b>88,493,966.36</b>

Expenses by nature:

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

Item	2015	2014
Depreciation and amortisation	898,886,848.42	984,158,950.15
Salary and wages	415,754,734.65	300,059,948.84
Road maintenance expenses	103,076,398.16	123,277,859.36
Costs of construction consulting service	85,387,288.12	–
Entrusted management expenses for Wuhuang Expressway	83,726,461.39	82,112,898.67
Material, water and electrical costs	42,919,636.11	35,476,301.16
Mechanical and electrical costs	36,293,752.15	33,185,527.59
Costs of agencies	23,345,329.62	9,249,962.17
Costs of construction management services	18,278,071.86	128,476,580.96
Integrated tolls settlement service expenses	16,165,970.05	16,389,026.70
Promotion and marketing expense	10,807,345.20	–
Other expenses	92,219,517.38	86,140,979.88
<b>Total</b>	<b>1,826,861,353.11</b>	<b>1,798,528,035.48</b>

#### 36. Financial expenses

Item	2015	2014
Interest expense	485,089,447.34	524,953,143.47
Including: Interest expenses of bonds	255,628,654.35	225,973,766.74
Interest expenses of borrowings	207,341,033.48	299,062,226.05
Interest capitalization	-4,110,240.49	-82,849.32
Other financing expenses	26,230,000.00	–
Time value of provision for maintenance/resurfacing obligations	4,194,569.00	7,202,706.36
Less: Interest income	124,480,035.92	107,937,294.12
Exchange loss - net	5,220,376.26	-5,558,169.67
Others	675,235.11	617,494.60
<b>Total</b>	<b>370,699,591.79</b>	<b>419,277,880.64</b>

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

## 37. Assets impairment losses

Item	2015	2014
Assets impairment losses of intangible assets concession (Note III. 29(5))	620,000,000.00	–
<b>Total</b>	<b>620,000,000.00</b>	<b>–</b>

## 38. Investment income

Item	2015	2014
Gain or loss under consolidation of uncommon control arising from equity shares acquired before the acquisition date recalculated per fair value (Note VI. 2)	904,017,332.82	–
Income from long-term equity investments under equity method	247,973,476.09	187,042,277.71
Income from available for sale assets	3,000,000.00	–
<b>Total</b>	<b>1,154,990,808.91</b>	<b>187,042,277.71</b>

The Group's investment income are all generated from investment in unlisted companies for the year 2015 and 2014.

## 39. Non-operating income

Item	2015	2014	Amount recorded as non-recurring profit or loss in 2015
Total gains on disposal of non-current assets	29,177,997.50	1,497,451,546.14	29,177,997.50
Including: Merlin toll demolition compensation	28,328,230.00	–	28,328,230.00
Gains on disposal of related assets of Toll Free Section of Meiguan Expressway	821,897.50	1,496,009,613.02	821,897.50
Gains on disposal of other intangible assets	–	1,419,846.32	–
Gains on disposal of other fixed assets	27,870.00	22,086.80	27,870.00
Gains on penalties	8,000,000.00	–	8,000,000.00
Gains on liquidation of claim	127,667.60	5,894,338.00	127,667.60
Compensation to the projects of upgrading toll stations' landscape	–	4,834,000.00	–
Government incentives	–	152,080.25	–
Others	2,625,130.85	2,206,222.65	2,625,130.85
<b>Total</b>	<b>39,930,795.95</b>	<b>1,510,538,187.04</b>	<b>39,930,795.95</b>

Government grants recognised in current year's profit or losses

Grant item	2015	2014	In related to assets/income
Government incentives	–	152,080.25	In related to income
<b>Total</b>	<b>–</b>	<b>152,080.25</b>	

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

#### 40. Non-operating expense

Item	2015	2014	Amount recorded as non-recurring profit or loss in 2015
Total loss on disposal of non-current assets	<b>1,840,627.93</b>	448,542.09	1,840,627.93
Including: Loss on disposal of fixed assets	<b>1,840,627.93</b>	448,542.09	1,840,627.93
Donation	<b>509,350.00</b>	594,779.00	509,350.00
Others	<b>620,497.91</b>	1,147,351.95	620,497.91
<b>Total</b>	<b>2,970,475.84</b>	2,190,673.04	2,970,475.84

#### 41. Income tax expenses

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

Item	2015	2014
Current income tax	<b>405,101,634.61</b>	719,578,129.84
Deferred income tax	<b>-227,924,706.23</b>	-24,129,644.95
<b>Total</b>	<b>177,176,928.38</b>	695,448,484.89

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

Item	2015	2014
Profit before tax	<b>1,672,326,886.76</b>	2,966,918,014.26
Income tax expenses calculated at applicable tax rate	<b>418,081,721.69</b>	741,729,503.57
Difference from the CIT verification collection method	<b>-4,332,468.48</b>	-32,439,749.86
Income not subject to tax	<b>-291,712,461.89</b>	-50,873,313.21
The adjustment of deferred income tax assets	<b>45,934,300.00</b>	29,678,900.00
Unrecognised tax losses	<b>4,215,686.58</b>	1,555,733.96
Expenses not deductible for tax purposes	<b>7,466,481.71</b>	5,797,410.43
Use of unrecognized tax losses at previous periods	<b>-2,476,331.23</b>	-
<b>Income tax expenses</b>	<b>177,176,928.38</b>	695,448,484.89

#### 42. Cash flow statement items

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

Item	2015	2014
Cash received from new-built toll operating expenses of toll free section of Meiguan Expressway	<b>162,850,000.00</b>	-
Cash received relating to Longli BT Project and the joint land development	<b>90,285,351.08</b>	182,765,266.56
Cash received from Longli Country Government in relation to Longli Resettlement (Phase II) Project	<b>23,000,000.00</b>	6,000,000.00
Cash received from GZ W2 Company	<b>3,250,000.00</b>	7,500,000.00
Cash received relating to funding of Coastal Company	-	37,045,540.41
Cash received from other operating activities	<b>18,577,964.16</b>	10,959,135.58
<b>Total</b>	<b>297,963,315.24</b>	244,269,942.55

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

## 42. Cash flow statement items (continued)

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

Item	2015	2014
Payment for acquisition of land use right	156,446,829.00	203,156,085.00
Payment for further development of land	117,277,638.29	77,554,325.68
Cash advanced to Longli BT Project	66,681,519.29	125,515,643.04
Cash advanced to Longli Resettlement (Phase I) Project	14,417,867.15	38,782,372.90
Audit, valuation, lawyers and advisory fees paid	13,381,701.71	7,834,857.06
Prepaid management fees of outer ring project	8,830,432.90	–
Management expenses paid for Coastal Project	4,755,860.27	5,011,903.89
Expenses paid to stock exchanges	3,519,537.87	2,871,252.11
Meiguan fee adjustment facilities project construction management expenses	2,084,413.86	–
Management expenses paid for Nanping (Phase II) Project	1,136,252.16	3,265,535.46
Payment related to Coastal Company	179,067.15	28,176,902.46
Repayments of quality deposits for Nanping (Phase II) Project	–	9,334,626.10
Other operating expenses paid	57,489,717.62	33,969,729.80
<b>Total</b>	<b>446,200,837.27</b>	<b>535,473,233.50</b>

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

Item	2015	2014
Interest received on fee adjustment compensation of Meiguan Expressway	162,075,864.76	–
Increased monetary funds from Consulting Company consolidation	76,240,218.69	–
Interests income received	18,385,926.22	17,867,369.27
Others	71,800.01	–
<b>Total</b>	<b>256,773,809.68</b>	<b>17,867,369.27</b>

## (4). Cash paid relating to obtaining subsidiaries and other companies

Item	2015	2014
Equity subscription to Bank of Guizhou Co., Ltd.	595,920,000.00	–
Capital increase to Joint Land Company	524,300,000.00	29,400,000.00
Investment funds from Qinglong Company	161,277,969.01	–
Investment Gansu Province Highway Aviation Tourism Engineering Consulting Co., Ltd.	4,103,978.37	–
<b>Total</b>	<b>1,285,601,947.38</b>	<b>29,400,000.00</b>

## (5). Cash received relating to other financing activities

Item	2015	2014
Compensation received related to Toll Adjustment of Three Expressways	6,588,000,000.00	–
<b>Total</b>	<b>6,588,000,000.00</b>	<b>–</b>

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### 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	2015	2014
<b>1. Reconciliation from net profit to cash flows from operating activities</b>		
Net profit	1,495,149,958.38	2,271,469,529.37
Amortisation of investment properties	575,700.00	575,700.00
Depreciation of fixed assets	137,852,529.44	127,685,352.66
Amortisation of intangible assets	757,967,793.92	853,084,573.21
Amortisation of long-term prepaid expenses	2,490,825.06	2,813,324.28
Net (gains)/losses on disposal of non-current assets	-27,337,369.57	-1,497,003,004.05
Financial expenses	370,699,591.79	419,277,880.64
Investment income	-1,154,990,808.91	-187,042,277.71
Asset impairment loss	620,000,000.00	-
(Increase)/decrease of deferred income tax assets	-26,113,935.68	-16,345,390.79
Increase/(decrease) of deferred income tax liabilities	-201,810,770.55	40,475,035.74
Decrease in inventories	-113,965,281.26	-189,729,856.38
Decrease/(increase) in operating receivables	-51,398,251.87	-57,027,635.89
Increase/(decrease) in operating payables	-37,614,850.43	25,522,051.21
Net cash flows from operating activities	1,771,505,130.32	1,793,755,282.29
<b>2. Net change in cash</b>		
Cash at the end of the year	6,180,992,066.06	1,255,154,897.37
Less: Cash at the beginning of the year	1,255,154,897.37	1,089,636,663.10
<b>Net increase in cash</b>	<b>4,925,837,168.69</b>	<b>165,518,234.27</b>

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

Item	31 December 2015	31 December 2014
Cash		
Including: Cash at hand	12,671,446.03	11,445,715.38
Cash at bank	6,168,320,620.03	1,243,709,181.99
Cash at the end of the year	6,180,992,066.06	1,255,154,897.37
Add: Restricted cash held by the Company and group companies (Note V.1)	241,385,764.83	379,143,974.97
<b>Total cash at bank and on hand</b>	<b>6,422,377,830.89</b>	<b>1,634,298,872.34</b>

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

Item	31 December 2015	Reason of restriction
Operating right of Qinglian Expressway	7,417,405,717.33	The Group's syndicated borrowings are pledged by operating right of Qinglian Expressway.
Operating right of Shuiguan Expressway	4,394,590,612.30	The Group's long-term borrowings are pledged by operating right of Shuiguan Expressway.
The equity interest in Meiguan Company	631,417,892.27	The Group's 100% equity interest in Meiguan Company is pledged for certain long-term notes.
Cash at bank and on hand	241,385,764.83	Restricted project funds retained for construction management.
<b>Total</b>	<b>12,684,799,986.73</b>	



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

### 45. Monetary items denominated in foreign currency

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

Item	Original currency at 31 December 2015	Currency exchange	RMB at 31 December 2015
Cash at bank and at hand			
Denominated in: USD	<b>14,852.69</b>	6.4936	<b>96,447.43</b>
HKD	<b>1,433,246.30</b>	0.8378	<b>1,200,772.29</b>
CHF	<b>11.70</b>	1.0812	<b>12.65</b>
PTAS	<b>446.00</b>	0.0468	<b>20.88</b>
GBP	<b>30.00</b>	9.6159	<b>288.48</b>
EUR	<b>257.00</b>	7.0952	<b>1,823.47</b>
JPY	<b>380.00</b>	0.0539	<b>20.47</b>
Other receivable			
Denominated in: HKD	<b>1,059,907.76</b>	0.8378	<b>887,990.72</b>

### 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:

	2015	2014
Consolidated net profit attributable to ordinary shareholders of the Company	<b>1,552,656,397.24</b>	2,186,883,365.49
Weighted average number of ordinary shares outstanding	<b>2,180,770,326.00</b>	2,180,770,326.00
Basic earnings per share	<b>0.712</b>	1.003
Including: Basic earnings per share from continuing operations	<b>0.712</b>	1.003

##### (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 2015 and 2014, respectively, diluted earnings per share were equal to basic earnings per share.

## Notes to Financial Statements

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### VI. CHANGE IN CONSOLIDATION

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

Guishen Land Company newly incorporated three wholly owned subsidiaries namely Hengfengxin Company, Henghongda Company and Hengtongli Company all by cash amounting to RMB1,000,000.00 on 22 January 2015, respectively. Testing Company, acquired under uncommon control, newly incorporated a wholly owned subsidiaries namely Information Company by cash amounting to RMB2,000,000.00 on 13 August 2015. Meihua Company, the subsidiary of the Company, newly incorporated a wholly owned subsidiary namely Shenzhen Expressway Finance I Limited by cash amounting to USD1 on 7 July 2015. The newly incorporated subsidiaries above are consolidated in this year.

#### 2. Consolidation under uncommon control

##### (1). Consolidation under uncommon control in this period

Acquiree	Acquisition Date	Acquisition Cost	Equity percentage (%)	Acquiring method	Purchasing Date	Evidences of the acquisition Date	Acquiree's revenue	Acquiree's net profit	Acquiree's cash	Acquiree's net
							from purchasing date to 31 December 2015	from the acquisition date to 31 December 2015	flow of operating activities from the acquisition date to 31 December 2015	cash flow from the acquisition date to 31 December 2015
Consulting Company (a)	1 July 2015	-	24%	Get the majority of board seats	1 July 2015	Take control of the acquiree	191,395,731.53	18,059,010.89	57,981,309.70	42,173,593.68
Qinglong Company (b)	30 October 2015	266,000,000.00	10%	Purchase and get the majority of board seats	30 October 2015	Take control of the acquiree	108,044,712.03	15,462,462.61	97,528,730.02	-18,440,039.32

- (a) Consulting company was an associate of the Company, of which 24% equity interests was held by the Company. As at 1 July 2015, the shareholders of Consulting Company amended the provisions of the article that the Company was entitled to nominate four out of seven directors in the board of directors and re-elected the board of Consulting Company. The Company then gained control in the significant operational and financial decisions of Consulting Company from 1 July 2015 onwards. Accordingly, Consulting Company became a consolidating subsidiary of the Company and the Company began to consolidate the financial statements of Consulting Company from then onwards.
- (b) Qinglong Company was an associate of the Company, of which 40% equity interests were held by the Company. As at 30 October 2015, a wholly owned subsidiary of the Company, Mei Wah Company, acquired 100% equity shares of Fameluxe Company at the consideration of RMB280 million (tentative). Fameluxe Company held 10% equity interests of Qinglong Company. After the completion of the transaction, the Company held 50% equity interests of Qinglong Company in total. As at 30 October 2015, the Board of Qinglong Company revised the articles of association. Therefore, board members with nomination right of the Group increased from 2 to 5 (7 in total), and the new Board of Directors was re-elected. Henceforth, the Company possessed substantial control of important operating and financial decision of Qinglong Company, thus Qinglong Company was consolidated as a subsidiary from 30 October 2015.

##### (2). Cost of combination and goodwill

Cost of combination	Consulting Company	Qinglong Company
– Fair value of equity interest holding before purchase day	29,708,064.00	1,063,758,678.62
– Price for increasing holding equity interest	–	265,939,669.66
Total of cost of combination	29,708,064.00	1,329,698,348.28
Decrease: Carrying amount of net assets obtained	28,164,503.79	1,329,698,348.28
Goodwill	1,543,560.21	–

**VI. CHANGE IN CONSOLIDATION (CONTINUED)****2. Consolidation under uncommon control (continued)****(3). Identifiable assets and liabilities of acquire on consolidation date**

	Consulting Company		Qinglong Company	
	Fair value on consolidation date	Book value on consolidation date	Fair value on consolidation date	Book value on consolidation date
Assets:				
Cash at bank and on hand	78,541,210.40	78,541,210.40	58,661,700.65	58,661,700.65
Accounts receivable	99,526,247.91	99,526,247.91	54,175,737.44	54,175,737.44
Other current assets	5,521,097.30	5,521,097.30	1,963,730.65	1,963,730.64
Fixed assets	17,321,410.27	12,318,382.80	167,307,654.32	167,307,654.32
Intangible assets	13,077,655.27	407,655.27	4,448,811,774.58	1,386,772,018.07
Other non-current liabilities	6,652,648.39	6,652,648.39	-	-
Liabilities:				
Short-term borrowings	-	-	50,000,000.00	50,000,000.00
Accounts payable	25,509,608.45	25,509,608.45	10,979,893.52	10,979,893.52
Dividends payable	-	-	131,558,858.33	131,558,858.33
Advances from customers	65,072,143.53	65,072,143.53	-	-
Employee benefits payable	5,918,721.75	5,918,721.75	5,921,734.02	5,921,734.02
Deferred income tax liabilities	2,650,954.12	-	765,509,939.13	-
Long-term borrowings	-	-	883,704,764.00	883,704,764.00
Other liabilities	4,136,742.59	4,136,742.59	223,848,712.08	223,848,712.08
Net assets	117,352,099.10	102,330,025.75	2,659,396,696.56	362,866,879.17
Minority interests	89,187,595.31	-	1,329,698,348.28	-
Acquired net assets	28,164,503.79	-	1,329,698,348.28	-

Method of recognizing fair value of identifiable assets and liabilities:

The Company used valuation techniques to determine the fair value of Consulting Company's assets and liabilities on the purchasing date at a discount rate of 18.6%.

The Company used valuation techniques to determine the fair value of Qinglong Company's assets and liabilities on the purchasing date at a discount rate of 8.30%.

**(4). Gain or loss arising from equity shares before purchasing date re-calculated per fair value**

Acquiree	Book value of equity interest acquired before the acquisition date	Fair value of equity interest acquired before the acquisition date	Gain or loss arising from equity interest before the acquisition date re-calculated per fair value	Method and assumptions	The amount of other comprehensive income transfer to investment income
Qinglong Company	164,269,052.70	1,063,758,678.62	899,489,625.92	Income approach	-

## Notes to Financial Statements

For the year ended 31 December 2015  
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### VII. INTERESTS IN OTHER ENTITIES

#### 1. Interests in subsidiaries

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

Name of subsidiaries	Place of main business	Place of registration	Nature of business and principal activities	Equity interest (%)		
				Direct	Indirect	Acquired through
Shenzhen Outer Ring Expressway Investment Company Limited ("Outer Ring Company")	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	100%	-	Incorporation
Expressway Investment Company	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

## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in subsidiaries (continued)

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

Name of subsidiaries	Place of main business	Place of registration	Nature of business and principal activities	Equity interest (%)		Acquired through
				Direct	Indirect	
Hengfengxin Property Company Limited	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	-	70%	Incorporation
Henghongda Property Company Limited	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	-	70%	Incorporation
Hengtongli Property Company Limited	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	-	70%	Incorporation
Consulting Company (Notes VI 2(1)(a))	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Construction consulting	24%	-	Business combinations involving enterprises not under common control
Testing Company(a)	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Construction quality testing	-	24%	Business combinations involving enterprises not under common control
Information Company(a)	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Computer Information System Integration	-	24%	Incorporation
Shenzhen Expressway Finance I Limited	The British Virgin Islands	The British Virgin Islands	Investment holding	-	100%	Incorporation
Fameluxe Company	Hong Kong	Hong Kong	Investment holding	-	100%	Business combinations involving enterprises not under common control
Qinglong Company (Notes VI 2(1)(b))	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll Road Operation	40%	10%	Business combinations involving enterprises not under common control

(a) Both Testing Company and Information Company are 100% owned by Consulting Company.

#### (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 2015	Dividend declared by subsidiaries to the minority shareholders for the year ended 31 December 2015	Minority interests as at 31 December 2015
Qinglian Company	23.63%	-128,262,981.70	-	601,103,303.67
JEL Company	45%	49,729,362.42	62,282,689.63	358,119,504.58
Guishen Company	30%	-428,899.16	-	222,122,717.51
Qinglong Company	50%	7,731,231.30	29,500,000.00	1,307,929,579.58
Consulting Company	76%	13,724,848.28	-	102,912,443.59

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

Name of subsidiaries	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
Qinglong Company (a)	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Consulting Company (a)	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

Name of subsidiaries	2015				2014			
	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	641,550,137.46	-542,797,214.13	-542,797,214.13	452,045,589.14	782,885,089.50	-29,461,207.82	-29,461,207.82	564,141,150.45
JEL Company	337,237,180.17	110,509,694.26	110,509,694.26	162,509,791.32	330,677,369.66	109,208,403.72	109,208,403.72	170,523,812.40
Guishen Company	10,088,723.92	-1,429,663.86	-1,429,663.86	-1,491,104.84	193,109,881.82	141,346,885.38	141,346,885.38	-217,619,726.24
Qinglong Company (a)	108,044,712.03	15,462,462.61	15,462,462.61	97,528,730.02	-	-	-	-
Consulting Company (a)	191,395,731.53	18,059,010.89	18,059,010.89	57,981,309.70	-	-	-	-

- (a) Since Consulting Company and Qinglong Company became the company's subsidiary on 1 July 2015 and 30 October 2015 respectively, the beginning balances of balance sheet items are not presented and the current amount of income statement items are recognized from acquisition date to 31 December 2015.

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

As at 31 December 2015 and 2014, no substantial restriction existed which prohibited the usage of assets or the settlement of liabilities of the Group.

**VII. INTERESTS IN OTHER ENTITIES (CONTINUED)****2. Interests in joint ventures or associates****(1). Main financial information of insignificant joint ventures and associates**

	2015	2014
<b>Joint ventures:</b>		
Total book value of investment	<b>165,579,108.30</b>	158,764,459.37
Sub-Total amount of the following items calculated in the Group's equity proportion in joint ventures:		
– Net profit	<b>13,822,650.42</b>	-25,231,790.75
– Other comprehensive income	–	–
– Total comprehensive income	<b>13,822,650.42</b>	-25,231,790.75
<b>Associates:</b>		
Total book value of investment	<b>1,817,310,916.29</b>	1,536,726,112.97
Sub-Total amount of the following items calculated in the Group's equity proportion in associates:		
– Net profit	<b>234,150,825.67</b>	212,274,068.46
– Other comprehensive income	–	–
– Total comprehensive income	<b>234,150,825.67</b>	212,274,068.46

The directors of the Company considered that the Group has no material joint venture or associate for the year 2015 and 2014 as the investment income/(loss) from individual joint venture or associate does not exceed 10% of the total profit of the Group for the 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 2015, there's no substantial restriction exists which prohibits the transfer of funds between the Group and the joint ventures and associates (31 December 2014: Nil).

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For the year ended 31 December 2015  
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### 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 2015 and 31 December 2014, the carrying amounts in RMB equivalent of the Group's assets and liabilities denominated in foreign currencies are summarized below:

	31 December 2015		
	HKD	Other foreign currencies	Total
<b>Financial assets denominated in foreign currency -</b>			
Cash at bank and on hand	1,200,772.29	98,613.38	1,299,385.67
Other receivables	887,990.72	–	887,990.72
Total financial assets denominated in foreign currency	2,088,763.01	98,613.38	2,187,376.39
	31 December 2014		
	HKD	Other foreign currencies	Total
<b>Financial assets denominated in foreign currency -</b>			
Cash at bank and on hand	1,415,779.47	93,119.91	1,508,899.38
<b>Financial liabilities denominated in foreign currency -</b>			
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

As of 31 December 2015 and 31 December 2014, the directors considered that the Group did not bear significant foreign exchange risk as the amount of financial assets and liabilities denominated in foreign currency was not material.



## 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 2015, the Group's long-term interest bearing borrowings and bonds payable with floating rates amounting to RMB2,371,928,764.00 (31 December 2014: RMB3,898,864,000.00).

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 RMB12,613,227.40 (31 December 2014: approximately RMB15,377,241.42).

### 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 2015	31 December 2014
State-owned banks	<b>2,956,678,979.73</b>	689,678,681.03
Other banks	<b>3,452,968,069.13</b>	933,174,475.93
<b>Total</b>	<b>6,409,647,048.86</b>	1,622,853,156.96

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 2015, the Group's management services revenue due from government authorities in Guizhou Longli County relating to the Longli BT Project and Longli Resettlement (Phase I) Project were approximately RMB0.432 billion (31 December 2014: approximately RMB2.499 billion) 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.

## Notes to Financial Statements

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

Note 1: Payables comprise accounts payable and other payables.

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

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

**IX. FAIR VALUE DISCLOSURE**

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 2015 and 31 December 2014, the Group has no financial asset or liability constantly measured at fair value by the above three levels.

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

Financial 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, bonds payable and other non-current liabilities.

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 2015		31 December 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities -				
Other payables (Note 1)	548,920,000.00	614,016,290.24	-	-
Current portion of notes payables	1,499,997,000.00	1,514,410,024.63	-	-
Bonds payable	2,690,329,788.48	2,789,194,244.29	3,290,387,574.51	3,157,993,121.89
Other non-current liabilities	6,065,310,000.00	6,034,251,595.47	-	-
<b>Total</b>	<b>10,804,556,788.48</b>	<b>10,951,872,154.63</b>	3,290,387,574.51	3,157,993,121.89

Note 1: Other payables only comprise the received compensation for toll charges adjustment.

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.

## Notes to Financial Statements

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### X. 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
Consulting Company	Associate (1 January to 30 June 2015)
Qinglong Company	Associate (1 January to 29 October 2015)
Huayu Company	Associate
Nanjing Third Bridge Company	Associate
GZ W2 Company	Associate
Joint Land Company	Associate

On 1 July 2015 the Group included Consulting Company in consolidated financial reporting thus the amount of related party transaction was accounted from 1 January 2015 to 30 June 2015. On 30 October 2015 the Group included Qinglong Company in consolidated financial reporting thus the amount of related party transactions was accounted from 1 January 2015 to 29 October 2015.

#### 4. Information of other related parties

Name of other related parties	Relationship with the Group
Shenzhen Baotong Highway Construction and Development Limited ("Baotong Company")	Under same control of Shenzhen International
Shenzhen Longda Expressway Company Limited ("Longda Company")	Under same control of Shenzhen International
Shenzhen International South-China Logistics Co., Ltd. ("SC Logistics Company")	Under same control of Shenzhen International
Xin Tong Chan Company	Shareholder of the Company
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
Guangzhou Cement Company Limited	Minority interests of one subsidiary of Company
Shenzhen International Logistics Company	Under same control of Shenzhen International
Huayu Investment	Minority interests of one subsidiary of Company

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

Name of related parties	Nature of transactions	2015	2014
Consulting Company	Receiving project management services	<b>2,746,524.00</b>	13,555,264.18
United Electronic Company	Receiving integrated toll system settlement services	<b>16,165,970.05</b>	16,389,026.70
Others	Receiving power supply services and others	<b>862,439.98</b>	798,646.21

The Group signed management services contracts with Consulting Company, which mainly in relation to the project management services.

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

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

**(b) Rendering of services**

Name of related parties	Nature of transactions	31 December 2015	31 December 2014
Coastal Company	Entrusted construction management services	<b>24,665,543.79</b>	235,057,291.43
Coastal Company and others	Provide integrated toll services	<b>3,083,259.44</b>	–
Others	Supply of water and electricity for offices	<b>666,003.00</b>	1,391,853.02

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 RMB24,665,543.79, calculated based on the stage of completion (2014: RMB235,057,291.43).

## Notes to Financial Statements

For the year ended 31 December 2015

(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 (continued)

The Group's subsidiaries Consulting Company rendered project management services for Coastal Company, Qinglong Company, Huayu Company and Longda Expressway. 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 2015
Baotong Company	The Company	Equity	1 January 2014	31 December 2015	Negotiated price	18,000,000.00

##### (3). Leases

###### (a) As a lessor

Lessee	Assets leased	Recognised rental income in 2015	Recognised rental income in 2014
United Electronic Company and Consulting Company	Office building	639,595.00	304,252.00

The Group signed office building lease contract with United Electronic Company and Consulting Company. The individual contract was not presented as the rental income amount was immaterial.

###### (b) As a lessee

Lessor	Assets leased	Total rental expenses in 2015	Total rental expenses in 2014
Longda Company, Huayu Company, Qinglong Company, SC Logistics Company, Xin Tong Chan Company	Billboard land use rights	2,367,000.00	2,990,500.00

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

**X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)****5. Related party transactions (continued)****(4). Financing**

Related party	Financing amount	Starting date	Ending date
Advance from: GZ W2 Company	3,250,000.00	28 August 2015	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 RMB3,918,992.36 on behalf of Coastal Company (2014: RMB25,657,650.17).

**(6). Remuneration of key management personnel**

Item	2015	2014
Remuneration of key management personnel	11,182,000.00	10,900,000.00

Key management personnel include directors, supervisor and senior management staff. In current year, the Company has 25 key management personnel (2014: 22 personnel).

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

Directors and supervisors' emoluments for the year ended 31 December 2015 are as follows:

Name	Remuneration	Salary and bonus	Total
Hu Wei*	–	960,000.00	960,000.00
Wu Ya De*	–	920,000.00	920,000.00
Wang Zeng Jin*	–	360,000.00	360,000.00
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
Hu Chun Yuan	180,000.00	–	180,000.00
Fang Jie*	–	706,000.00	706,000.00

## Notes to Financial Statements

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(All amounts in RMB unless otherwise stated)

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

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

#### (6). Remuneration of key management personnel (continued)

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

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

\* The directors and supervisor's emoluments have been included in remuneration of key management personnel.

During the year ended 31 December 2015, The Chairman, Hu Wei, the executive director and chief executive officer, Wu Ya De, the executive director, Wang Zeng Jin, the directors, Li Jing Qi, Zhao Jun Rong, Tse Yat Hong, Zhang Yang, Chiu Chi Cheong, Au Sing Kun, Lin Chu Chang, Hu Chun Yuan, Shi Xi Liang and the supervisors, Zhong Shan Qun, He Sen and Fang Jie are entitled to allowance (after individual income tax) amounting to RMB12,500.00, RMB12,000.00, RMB12,500.00, RMB7,500.00, RMB8,000.00, RMB12,000.00, RMB12,000.00, RMB8,000.00, RMB17,000.00, RMB10,500.00, RMB13,500.00, RMB10,500.00, RMB7,000.00, RMB6,000.00 and RMB8,000.00. The Chairman, Hu Wei, the executive director and chief executive officer, Wu Ya De, the executive director, Wang Zeng Jin, the directors, Li Jing Qi, Zhao Jun Rong, Tse Yat Hong, Zhang Yang, Shi Xian Liang and the supervisor, Zhong Shan Qun have waived to receive the directors' allowance of the current year.

During the year ended 31 December 2015, The Chairman, Hu Wei, the executive director and chief executive officer, Wu Ya De, the executive director, Wang Zeng Jin, and supervisor, Fang Jie, were entitled to the pension schemes contribution of RMB106,000.00 (2014: Nil), RMB106,000.00 (2014: RMB106,000.00), RMB43,000.00(2014: Nil) and RMB83,000.00(2014: RMB 78,000.00), respectively.

In addition, The Chairman, Hu Wei, the executive director, chief executive officer, Wu Ya De, chief executive officer, Wang Zeng Jin and supervisor, Fang Jie are also entitled to other benefits and allowances including medical care contribution and others, with amounts of RMB67,000.00 (2014: Nil) and RMB 67,000.00 (2014: RMB60,000.00), RMB 54,000.00 (2014: Nil) and RMB 110,000.00 (2014: RMB 103,000.00) respectively during the year ended 31 December 2015.



**X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)****5. Related party transactions (continued)****(6). Remuneration of key management personnel (continued)****(b) The five top paid individuals**

The five top paid individuals of the Group for the year include 2 (2014: 2 directors) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 3 (2014: 3 directors) individuals during the year are as follows:

	2015	2014
Basic salaries, bonus, housing allowance, other allowances	<b>2,950,000.00</b>	2,658,000.00
Pension	<b>302,000.00</b>	302,000.00
<b>Total</b>	<b>3,252,000.00</b>	2,960,000.00

	Number of individuals	
	2015	2014
Emolument range:		
HKD0 - HKD1,000,000	-	-
HKD1,000,001 - HKD1,500,000	<b>3</b>	3
HKD1,500,001 - HKD2,000,000	-	-

**(7). Others**

Meiguan Company, the Company's wholly-owned subsidiary, entered into a relocation compensation agreement with Joint Land Company, pursuant to which the Joint Land Company has agreed to pay relocation compensation to Meiguan Company for relocation of Meilin Checkpoint Renewal Land. The amount of relocation compensation will be determined by an expert jury on the basis of the valuation report issued by the evaluation institution. Based on the results of the valuation by China United Assets and verification conducted by the Company, the relocation compensation amount was finalized to RMB28,328,230.00 and reached mutual consent of Meiguan Company and Joint Land Company.

On 30 December, 2015, Guishen Land Company signed transfer agreement with Shenzhen International Logistics. See details in Note V. 6.

## Notes to Financial Statements

For the year ended 31 December 2015

(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 2015		31 December 2014	
		Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Accounts receivables	Coastal Company	281,255,696.39	-	340,620,152.60	-
Accounts receivables	Baotong Company	2,337,298.33	-	2,295,854.23	-
Accounts receivables	Longda company	20,050.00	-	-	-
Other receivables	Huayu Investment	31,580,381.94	-	-	-
Other receivables	Joint Land Company	28,328,230.00	-	-	-
Other receivables	Coastal Company	3,918,992.36	-	-	-
Other receivables	Huayu Company	20,000.00	-	20,000.00	-
Other receivables	Longda Company	10,000.00	-	10,000.00	-

##### (2). Payables items

Item	Related parties	31 December 2015	31 December 2014
Accounts payable	Coastal Company	1,015,000.00	1,000,000.00
Accounts payable	United Electronic Company	101,665.72	-
Accounts payable	Longda company	25,000.00	85,000.00
Accounts payable	Huayu Company	16,000.00	45,000.00
Accounts payable	SC Logistics Company	12,000.00	12,000.00
Accounts payable	Shenzhen International	1,200.00	3,500.00
Advances from related parties	SIHCL	767,828.50	-
Advances from related parties	Coastal Company	744,000.00	-
Other payables	GZ W2 Company	40,750,000.00	37,500,000.00
Other payables	Nanjing Third Bridge Company	33,526,376.43	33,526,376.43
Other payables	United Electronic Company	384,999.13	5,000.00
Other payables	Guangzhou Cement Company Limited	40,000.00	40,000.00
Other payables	Shenzhen International	5,000.00	5,000.00

#### 7. Commitments to related parties

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

##### (1). Investment commitment

The Company jointly set up a 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 million, in which the Company's aggregate capital contributions shall not exceed RMB2,450 million. Up to 31 December 2015, the Company has made cash contribution to Joint Land Company amounted to RMB553.7 million. The remaining investment commitment is RMB1,896.3 million accordingly (2014: RMB2,420.6 million).

**XI. 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 2015	31 December 2014
Expressway construction projects	<b>122,367,117.88</b>	133,255,934.78

As at 31 December 2015 and 31 December 2014, the joint ventures had no capital commitments.

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

	31 December 2015	31 December 2014
Contracted but not yet recognised on the balance sheet	<b>104,797,401.76</b>	110,563,248.39

**(3). Investment commitment**

As at 31 December 2015, the Group's investment commitments amounted to RMB1,896,300,000.00 (2014: 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(1).

**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.

## Notes to Financial Statements

For the year ended 31 December 2015  
(All amounts in RMB unless otherwise stated)

### XI. COMMITMENTS AND CONTINGENCIES (CONTINUED)

#### 2. Contingencies (continued)

##### (1). Significant contingencies at balance sheet date (continued)

- (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) The company was entrusted by Shenzhen Longhua New Area Construction Management Center to manage the construction project of Guanlan People Road to Meiguan rode. Pursuant to the contract, the Company had arranged with bank to issue irrevocable performance guarantees to Shenzhen Longhua New Area Construction Management Center amounting to RMB25,273,500.00.
- (e) Consulting Company, a subsidiary of the Company, was entrusted to carry out business regarding construction consulting, exploration and design, test and detection, etc. In accordance with relevant commission contract, Consulting Company arranged with bank to issue irrevocable performance guarantees to the trustor amounting to RMB89,942,047.92.
- (f) 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.

### XII. EVENTS AFTER THE BALANCE SHEET DATE

#### 1. Significant unadjusted events after the balance sheet date

- (1). The Company engaged to have independent traffic consultant to re-evaluate the standard traffic volume of Nanguang, Yanba, Yanpai and Qinglian Expressways during the remaining concession. From 1 January 2016 onwards the four expressways will adjust the amortisation unit from RMB4.22, RMB3.98, RMB1.49 and RMB25.19 to RMB4.71, RMB4.49, RMB1.97 and RMB26.54, respectively.

**XII. EVENTS AFTER THE BALANCE SHEET DATE (CONTINUED)****1. Significant unadjusted events after the balance sheet date (continued)**

- (2). On 15 January 2016, the 11th Meeting of the Seventh Board of Directors of the Company passed proposal on approval of incentive plan of restricted A-shares, assessment methods for management and implementation of equity shares incentive (Draft) and proposal on requesting Shareholders' General Meeting to authorise Board of Directors to handle incentive plan of restricted A-shares of the Company. The incentive plan proposed to issue additional restricted A-shares of the Company to targeted incentive objects, of which the proposed restricted shares amounted to 17.19 million shares.
- (3). The Board approved the concession intangible asset agreement of Shenzhen Section of Shenzhen Outer Ring Expressway (Coastal Expressway – Shenshan Expressway Section) (the "Outer Ring (Section A)") at 18 March 2016. In addition, Outer Ring Company, a subsidiary of the Company and Shenzhen Special Economic Zone Construction and Development Company Limited, a company established and wholly-owned by the Shenzhen government, signed a joint investment construction agreement.

According to the current proposal, the investment budget for Outer Ring (Section A) is approximately RMB20.59 billion, among which, the Group will invest RMB6.5 billion and entitle to the operating revenue and undertake the operating cost, relevant taxes and risks of the project for a term of 25 years, and the cost overruns will be assumed or financed by Shenzhen Special Economic Zone Construction and Development Company Limited. The Company is responsible for construction management Outer Ring (Section A), the construction management service revenue is calculated by 1.5% of the construction budget (excluding compensation for land expropriation and resettlement fee). Scheme of management objectives control bonus (penalty) is set, of which, investment management objectives bonus (penalty) is calculated based on 10% of the difference between the construction management service revenue and construction budget. The abovementioned proposal is subject to the approval at the general meeting of the Company.

**2. Dividend distribution****Dividends proposed to distribute**

Final dividends proposed by the Board of Directors on 18 March 2016 which is subject to the approval in the shareholders' meeting	RMB741,461,910.84
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**XIII. OTHER SIGNIFICANT MATTERS****1. Segment information****(1). The recognition and accounting policies of reportable segment:**

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

The Group has one reportable segments, namely toll road segment. Toll road segment takes charge of operation and management of toll roads in mainland China.

Other businesses are principally comprised of management services, advertising services and other services. The Group has no inter-segment revenues. These businesses do not compose separate reportable segments.

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### XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

#### 1. Segment information (continued)

##### (2). Segment information

Year 2015	Toll road	Other	Unallocated	Total	
Revenue from external customers	3,014,057,419.87	406,520,915.32	–	3,420,578,335.19	
Cost of services	1,419,449,529.10	–	–	1,419,449,529.10	
Interest income	97,277,883.50	21,992,323.80	5,209,828.10	124,480,035.40	
Interest expense	444,507,177.81	14,352,269.53	–	458,859,447.34	
Share of profit of associates and joint ventures under equity method	248,425,215.11	-451,739.02	–	247,973,476.09	
Asset impairment loss	620,000,000.00	–	–	620,000,000.00	
Depreciation and amortization	866,209,174.13	26,448,384.18	6,229,290.11	898,886,848.42	
Total profit	1,653,462,074.32	101,607,851.34	-82,743,038.90	1,672,326,886.76	
Income tax expenses	153,571,623.24	23,605,305.14	–	177,176,928.38	
Net profit	1,499,890,451.08	78,002,546.20	-82,743,038.90	1,495,149,958.38	
Total assets	28,906,760,110.67	2,004,472,015.84	759,422,961.90	31,670,655,088.41	
Total liabilities	15,861,073,982.20	683,432,323.38	165,068,260.73	16,709,574,566.31	
Long-term equity investments in associates and joint ventures	1,428,700,494.08	554,189,530.51	–	1,982,890,024.59	
Additions to non-current assets other than financial assets, long-term equity investments and deferred income tax assets	4,742,220,355.06	30,207,643.28	5,051,844.18	4,777,479,842.52	
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

#### (3). Other disclosure

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

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

##### 1. Accounts receivables

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

Category	31 December 2015					31 December 2014				
	Ending balance		Provision for bad debts			Ending balance		Provision for bad debts		
	Amount	% of total balance	Amount	Ratio	Book value	Amount	% of total balance	Amount	Ratio	Book value
Individually significant and provision separately made	-	-	-	-	-	-	-	-	-	-
Provision made collectively	495,255,623.24	100.00	-	-	495,255,623.24	530,410,157.03	100.00	-	-	530,410,157.03
- Group 1	464,820,092.41	93.85	-	-	464,820,092.41	507,026,089.06	95.59	-	-	507,026,089.06
- Group 2	30,435,530.83	6.15	-	-	30,435,530.83	23,384,067.97	4.41	-	-	23,384,067.97
Not individually significant but provision separately made	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>495,255,623.24</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>495,255,623.24</b>	<b>530,410,157.03</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>530,410,157.03</b>

In group 2, the accounts receivable of provision for bad debts by aging is analysed as follows:

Aging	31 December 2015		
	Accounts receivable	Provision for bad debts	Ratio
Within 1 year	30,368,864.16	-	-
1 to 2 years	66,666.67	-	-
<b>Total</b>	<b>30,435,530.83</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	471,933,601.57	-	95.29%

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

#### 2. Other receivables

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

Category	31 December 2015					31 December 2014				
	Ending balance		Provision for bad debts			Ending balance		Provision for bad debts		
	Amount	% of total balance	Amount	% of total balance	Book amount	Amount	% of total balance	Amount	% of total balance	Book amount
Individually significant and provision separately made	-	-	-	-	-	-	-	-	-	-
Provision made collectively	1,269,557,969.42	100.00	-	-	1,269,557,969.42	736,893,668.46	100.00	-	-	736,893,668.46
- Group 1	1,268,960,891.68	99.95	-	-	1,268,960,891.68	735,455,095.46	99.80	-	-	735,455,095.46
- Group 2	597,077.74	0.05	-	-	597,077.74	1,438,573.00	0.20	-	-	1,438,573.00
Not individually significant but provision separately made	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,269,557,969.42</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,269,557,969.42</b>	<b>736,893,668.46</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>736,893,668.46</b>

In group 2 the accounts receivable of provision for bad debts by aging is analysed as follows:

Aging	31 December 2015		
	Other receivables	Provision for bad debts	% of total balance
Within 1 year	579,634.74	-	-
1 to 2 years	793.00	-	-
2 to 3 years	16,650.00	-	-
<b>Total</b>	<b>597,077.74</b>	<b>-</b>	<b>-</b>

##### (2). Receivables by nature are analysed as follows:

Item	31 December 2015	31 December 2014
Loans to related companies	913,563,870.59	275,167,376.10
Advances	354,296,038.18	460,115,624.66
Others	1,698,060.65	1,610,667.70
<b>Total</b>	<b>1,269,557,969.42</b>	<b>736,893,668.46</b>



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

## 2. Other receivables (continued)

## (3). As at 31 December 2015, the five largest other receivables are analysed as follows:

Categories	Nature	Amount	Aging	% of total balance	Bad debt provision at 31 December 2015
Qinglong Company	Loans	580,603,835.62	Within 1 year	45.73%	–
Guishen Company	Loans	311,000,000.00	Within 1 year	24.50%	–
Mei Wah Company	Advances	201,700,232.44	Within 1 year	15.89%	–
Airport-Heao Eastern Company	Advances	137,479,262.45	Within 1 year	10.83%	–
Qinglian Company	Loans	21,960,034.97	Within 1 year	1.73%	–
<b>Total</b>		<b>1,252,743,365.48</b>		<b>98.68%</b>	<b>–</b>

## 3. Long-term equity investments

Item	31 December 2015			31 December 2014		
	Carrying amount	Impairment	Net book value	Carrying amount	Impairment	Net book value
Subsidiaries	5,421,798,100.36	-678,765,149.21	4,743,032,951.15	4,931,294,313.53	–	4,931,294,313.53
Joint ventures	161,475,129.93	–	161,475,129.93	158,764,459.37	–	158,764,459.37
Associates	1,817,310,916.29	–	1,817,310,916.29	1,536,726,112.97	–	1,536,726,112.97
<b>Total</b>	<b>7,400,584,146.58</b>	<b>-678,765,149.21</b>	<b>6,721,818,997.37</b>	<b>6,626,784,885.87</b>	<b>–</b>	<b>6,626,784,885.87</b>

## (1). Subsidiaries

Investee	31 December 2014	Addition	Investment cost recovered	Impairment	Addition from acquisition of subsidiaries	31 December 2015	Cash dividend declared	Impairment provided in the current year
Airport-Heao Eastern Company	917,766,902.94	–	97,085,063.42	–	–	820,681,839.52	253,252,238.56	–
Meiguan Company	534,219,058.11	–	1,860,559.55	–	–	532,358,498.56	94,486,698.85	–
Qinglong Company	–	–	–	–	164,269,052.70	164,269,052.70	23,600,000.00	–
Advertising Company	3,325,000.01	–	–	–	–	3,325,000.01	11,433,514.54	–
Mei Wah Company	831,769,303.26	–	–	–	–	831,769,303.26	–	–
Qinglian Company	2,064,214,049.21	–	–	678,765,149.21	–	1,385,448,900.00	–	678,765,149.21
Outer Ring Company	100,000,000.00	–	–	–	–	100,000,000.00	–	–
Expressway Investment Company	380,000,000.00	–	–	–	–	380,000,000.00	–	–
Luyun Company	100,000,000.00	400,000,000.00	–	–	–	500,000,000.00	–	–
Consulting Company	–	–	–	–	25,180,357.10	25,180,357.10	–	–
<b>Total</b>	<b>4,931,294,313.53</b>	<b>400,000,000.00</b>	<b>98,945,622.97</b>	<b>678,765,149.21</b>	<b>189,449,409.80</b>	<b>4,743,032,951.15</b>	<b>382,772,451.95</b>	<b>678,765,149.21</b>

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

As stated in Note V.24(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.10.

## Notes to Financial Statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

#### 4. Capital surplus

2015	31 December 2014	Addition	Reduction	31 December 2015
Share premium	2,315,587,934.74	–	–	<b>2,315,587,934.74</b>
<b>Total</b>	2,315,587,934.74	–	–	<b>2,315,587,934.74</b>

2014	31 December 2013	Addition	Reduction	31 December 2014
Share premium	2,315,587,934.74	–	–	2,315,587,934.74
<b>Total</b>	2,315,587,934.74	–	–	2,315,587,934.74

#### 5. Undistributed profits

Item	2015	2014
Undistributed profits at the beginning of the year	<b>4,217,315,471.69</b>	2,737,730,736.05
Add: Net profit attributable to equity holders of the Company in current year	<b>312,929,383.85</b>	2,031,675,542.00
Less: Appropriation for statutory surplus reserve	<b>31,292,938.38</b>	203,167,554.20
Dividends	<b>981,346,646.70</b>	348,923,252.16
Undistributed profits at the end of the year	<b>3,517,605,270.46</b>	4,217,315,471.69

#### 6. Revenue and costs of services

Item	31 December 2015		31 December 2014	
	Revenue	Cost	Revenue	Cost
Main businesses	<b>1,199,206,996.97</b>	<b>467,183,895.96</b>	1,162,400,569.97	462,472,880.85
Other businesses	<b>72,576,786.25</b>	<b>33,381,804.17</b>	300,253,662.82	147,719,649.17
<b>Total</b>	<b>1,271,783,783.22</b>	<b>500,565,700.13</b>	1,462,654,232.79	610,192,530.02

#### 7. Investment income

Item	2015	2014
Income from long-term equity investments under cost method	<b>382,772,451.95</b>	1,436,760,071.59
Income from long-term equity investments under equity method	<b>247,973,476.09</b>	187,042,277.71
Income from available-for-sale assets	<b>3,000,000.00</b>	–
<b>Total</b>	<b>633,745,928.04</b>	1,623,802,349.30

## Supplementary Information

For the year ended 31 December 2015  
(All amounts in RMB unless otherwise stated)

### I. DETAILED LIST OF NON-RECURRING PROFIT OR LOSS ITEMS

Item	Amount	Note
Gains from shares held before combinations involving enterprises not under common control measured at fair value	904,017,332.82	In the current year, Qinglong Company and Consulting Company were included in the consolidated financial statements of the Group as entities not under common control. Gain or loss arising from equity shares acquired before the acquisition date was recalculated per fair value.
Interest income from the Compensation resulted from the toll adjustment of Meiguan Expressway	72,470,804.21	
The amortisation of compensation provided by concession grantor	19,010,445.80	
Profits from entrusted management services	17,778,666.66	
Interest income generated from compensation for toll charge adjustment of the Three expressways	12,019,232.87	
Other profit or loss items that meet the definition of non-recurring profit or loss	36,960,320.11	
Impact of income tax	-34,595,107.75	
Impact of minority interests (after tax)	-2,402,082.54	
<b>Total</b>	<b>1,025,259,612.18</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	12.94	0.712	0.712
Net profit after deducting non-recurring profit or loss attributable to ordinary owners of the Company	4.39	0.242	0.242

# Company Information

## I. Company Profile

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

## II. Contact Information

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

## III. General Information

Registered address and place of business	Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen (Postal Code: 518026)
Website	<a href="http://www.sz-expressway.com">http://www.sz-expressway.com</a>
E-mail	ir@sz-expressway.com
Place of business in Hong Kong	Suite 2001-2006, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong Tel: (852) 2543 0633 Fax: (852) 2543 9996

#### IV. Information Disclosure and Site for Inspection

Designated publication newspaper	Shanghai Securities News, Securities Times, China Securities Journal, Securities Daily (for A Shares only)
Designated publication website	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> <a href="http://www.sz-expressway.com">http://www.sz-expressway.com</a> <a href="http://www.sz-expressway-ir.com.hk">http://www.sz-expressway-ir.com.hk</a> (for H Shares only)
Annual report available at	PRC: Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen Hong Kong: Suite 2001-2006, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong

#### V. Security Profile

Type of securities	Listing exchange	Abbreviation	Security code
A Share	The Shanghai Stock Exchange	Shenzhen Expressway	600548
H Share	The Stock Exchange of Hong Kong Limited	Shenzhen Expressway	00548
Bond	The Shanghai Stock Exchange	11 Shenzhen Expressway	122085

#### VI. Other Information

Auditor	PricewaterhouseCoopers Zhong Tian LLP 11/F, PricewaterhouseCoopers Centre, 202 Hubin Road, Shanghai
PRC legal adviser	Guangdong Junyan Law Firm RoomC, 10th Floor, Block5 Dachong International Centre, HuaRun, Shennan Street, Nanshan District, Shenzhen, China
Hong Kong legal adviser	Loong & Yeung, Solicitors Suite 2001-2006, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong
Domestic share registrar and transfer office	China Securities Depository and Clearing Corporation Limited, Shanghai Branch 36/F, China Insurance Building, 166 Lujiazui Road East, Pudong New District, Shanghai
Share registrar and transfer office in Hong Kong	Hong Kong Registrars Limited 46/F, Hopewell Centre, 183 Queen's Road East, Hong Kong
Investor relations consultant of A Shares	Everbloom Investment Consultant Company Limited Room 511-515, 5th Floor, Rongchao Trade Centre, 4028 Jintian Road, Futian District, Shenzhen
Investor relations consultant of H Shares	Wonderful Sky Financial Group 6/F, Nexxus Building, No. 41 Connaught Road Central, Hong Kong
Principal banks	China Development Bank Industrial and Commercial Bank of China China Merchants Bank

## Company Information

### VII. Project Information (as at March 2016)

Toll highway	Interest held by the Company	Location	Toll mileage (km)	No. of lanes	Status	The expiry date of toll concession period
Meiguan Expressway	100%	Shenzhen	5.4	8	Under operation	2027.03
Jihe East	100%	Shenzhen	23.7	6	Under operation	2027.03
Jihe West	100%	Shenzhen	21.8	6	Under operation	2027.03
Yanba Expressway	100%	Shenzhen	29.1 <sup>(1)</sup>	6	Under operation	Section A: 2026.04 Section B: 2028.07 Section C: 2035.03
Shuiguan Expressway	50%	Shenzhen	20.0	10	Under operation	2025.12
Shuiguan Extension	40%	Shenzhen	6.3	6	Under operation	2025.12
Yanpai Expressway	100%	Shenzhen	15.6 <sup>(1)</sup>	6	Under operation	2027.03
Nanguang Expressway	100%	Shenzhen	31.0 <sup>(1)</sup>	6	Under operation	2033.01
Yangmao Expressway	25%	Guangdong	79.8	4	Under operation	2027.07
Guangwu Project	30%	Guangdong	37.9	4	Under operation	2027.11
Jiangzhong Project	25%	Guangdong	39.6	4	Under operation	2027.08
GZ W2 Expressway	25%	Guangdong	40.2	6	Under operation	2030.12
Qinglian Expressway	76.37%	Guangdong	216.0	4	Under operation	2034.07
Wuhuang Expressway	55%	Hubei	70.3	4	Under operation	2022.09
Changsha Ring Road	51%	Hunan	34.7	4	Under operation	2029.10
Nanjing Third Bridge	25%	Jiangsu	15.6	6	Under operation	2030.10

Note:

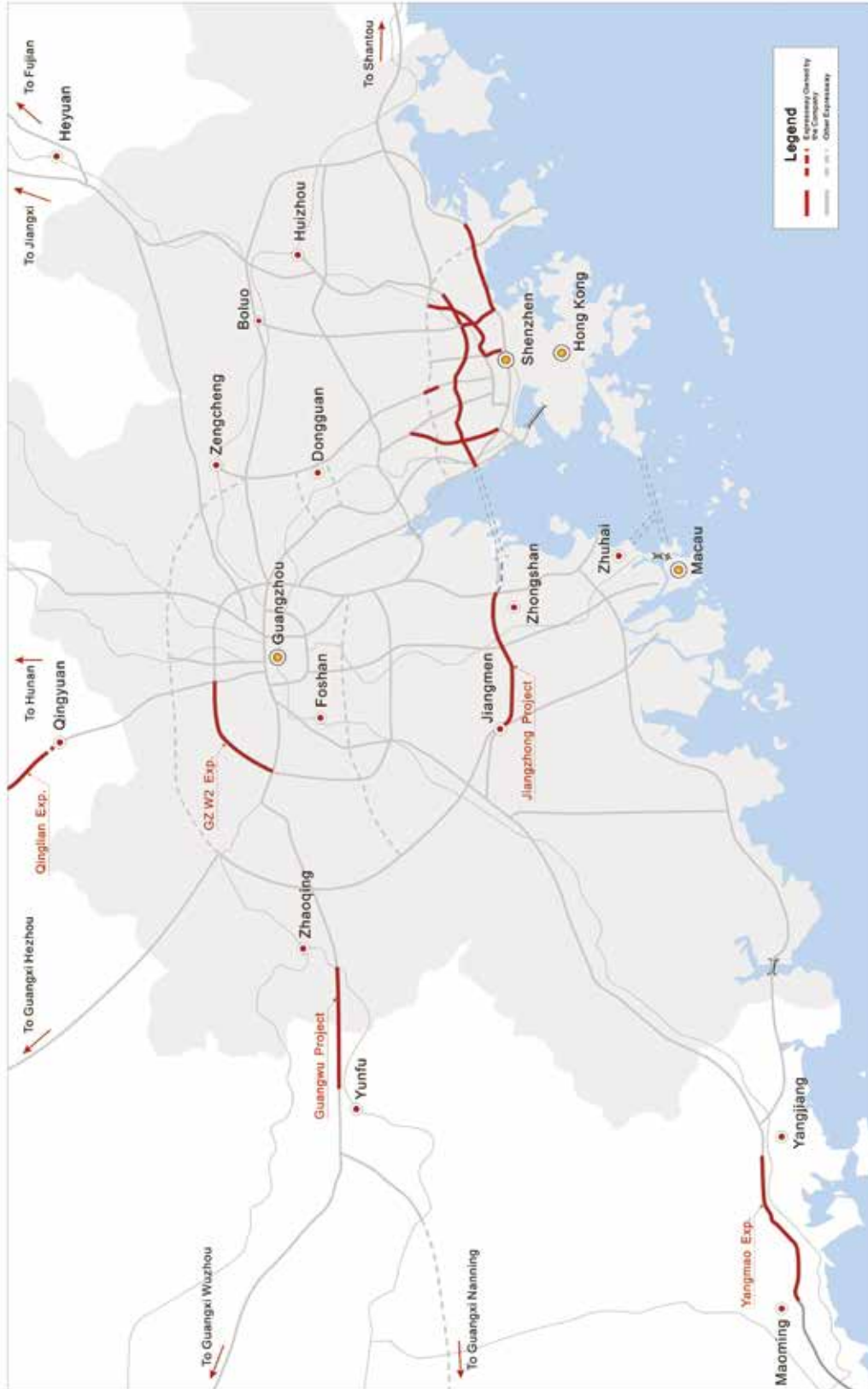
- Pursuant to the agreement between the Company and Transport Commission, the toll of Nanguang Expressway, Yanba Expressway and Yanpai Expressway has been adjusted since 7 February 2016, each of the Company will retain its Fee Entitlement Right and be responsible for the maintenance and repair of the Three Expressways, and will implement toll-free for the Three Expressways in exchange for cash compensation from the Transport Commission. For details, please refer to the announcement of the Company dated 2 December 2015.
- For detailed information, toll fees, historical operational data of above projects, and road network of peripheral area, please refer to the column "Toll Roads & Bridges" under "Company Business", "Operational Statistics" under "Investor Relations" and "IR Materials" under "Investor Relations" in the website of the Company at <http://www.sz-expressway.com>.

# Road Network of Shenzhen



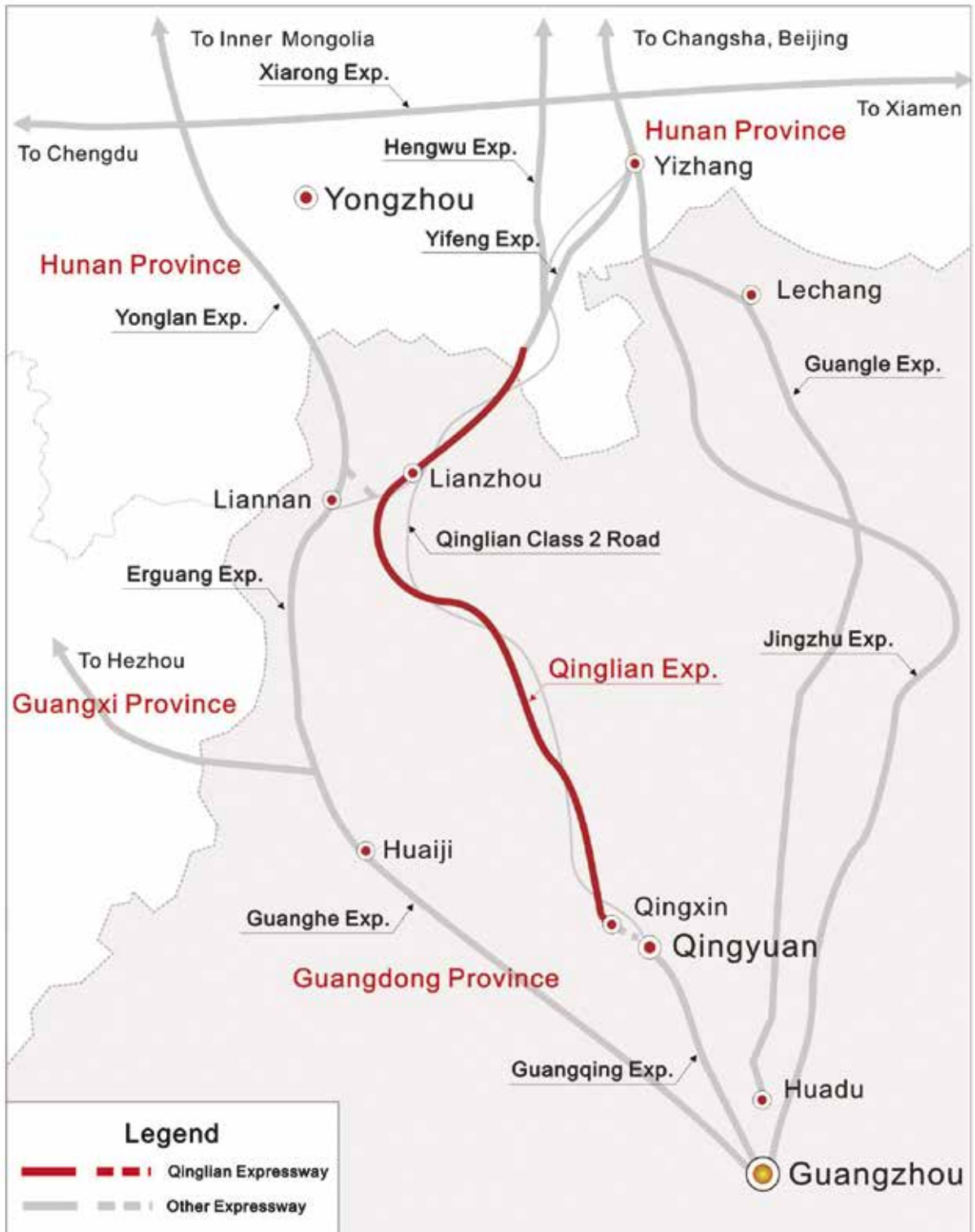
## Company Information

### Road Network of Pearl River Delta





## Road Network of Qinglian Expressway



## Company Information

### Road Network of Wuhuang Expressway



### Road Network of Nanjing Third Bridge



### Road Network of Changsha Ring Road



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

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- ◆ *The total of breakdown and the total may not equal in mantissa due to rounding.*



**SHENZHEN EXPRESSWAY COMPANY LIMITED**

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