深圳高速公路股份有限公司

SHENZHEN EXPRESSWAY COMPANY LIMITED

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

(Stock Code: 00548)

2016 Annual Results Preliminary Announcement

I. Important Notice

1.1 2016 Annual Results Preliminary Announcement of the Company is extracted from the full Annual Report 2016 of the Company. For detailed information, investor shall read the full Annual Report to be published on the website of SSE at http://www.sse.com.cn and HKEx at http://www.hkexnews.com.hk.

All the information to accompany preliminary announcement of results for the financial year required under Appendix 16 to the Listing Rules was included in the 2016 Annual Results Preliminary Announcement published on the website of HKEx.

The 2016 annual financial statements of the Company were prepared in accordance with CASBE, and also were complied with the disclosure requirements under the Hong Kong Companies Ordinance and the Listing Rules.

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

1.2 Basic Information of the Company

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

II. Proposed Profit Distribution

The Board recommended the payment of a final dividend of RMB 0.22 (proposal) (tax included) per share in cash to all shareholders (2015: RMB0.34 per share), based on the total share capital of 2,180,770,326 as at the end of 2016 and totaling RMB479,769,471.72 The aforesaid proposal shall be subject to approval by shareholders at the 2016 Annual General Meeting of the Company. The date of the annual general meeting, the record date for dividend payment, dividend payment procedures and payment date, and the book closure period for H Shares will be notified separately. It is expected that the dividend will be distributed on or before 21 July 2017.

III. Principal Financial Data and Information of the Shareholders

3.1 Principal Financial Data

During the Reporting Period, the Group recorded a revenue of RMB4,532 million, representing an increase of 32.50% YOY. Net profit attributable to owners of the Company amounted to RMB1,169 million with earnings per share of RMB 0.536, representing an decrease of 24.69% YOY.

Unit: RMB

	As at 31 Dec 2016	As at 31 Dec 2015	Change as compared to the end of last year	As at 31 Dec 2014
Total assets	**32,384,844,447.16**	31,670,655,088.41	2.26%	24,329,324,209.02
Owners' equity attributable to owners of the Company	**12,674,475,959.27**	12,368,892,973.17	2.47%	11,797,581,861.32
	2016	**2015**	**Change as compared to last year**	**2014**
Revenue	**4,532,209,156.54**	3,420,578,335.19	32.50%	3,620,357,480.08
Net profit attributable to owners of the Company	**1,169,353,230.77**	1,552,656,397.24	-24.69%	2,186,883,365.49
Net profit attributable to owners of the Company - excluding non-recurring items	**1,004,716,957.76**	527,396,785.06	90.50%	963,942,971.64
Net cash flows from operating activities	**2,126,610,026.45**	1,771,505,130.32	20.05%	1,793,755,282.29
Return on equity - weighted average (%)	**9.35**	12.94	Decrease3.59pct.pt	20.14
Earnings per share - basic (RMB/share)	**0.536**	0.712	-24.69%	1.003
Earnings per share - diluted (RMB/share)	**0.536**	0.712	-24.69%	1.003

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

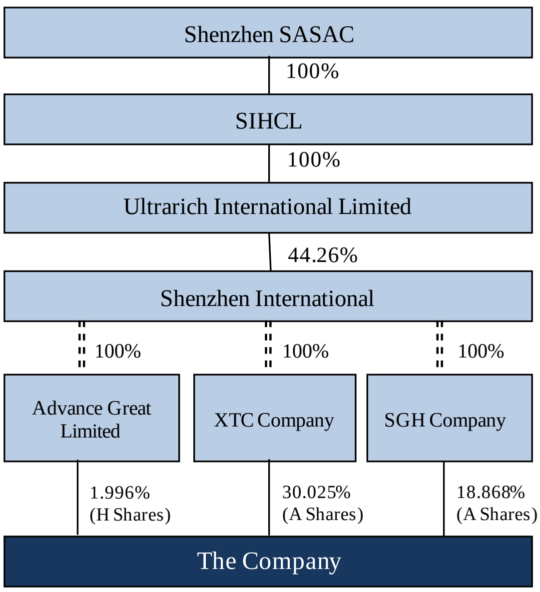
As at the end of the Reporting Period, based on the shareholders' registers provided by the share registrars and the transfer offices of the Company in the PRC and Hong Kong, the information of the total number of shareholders and the top ten shareholders of the Company were as follows:

Unit: share

Total number of shareholders as at the end of 2016	The Company had 23,826 shareholders in total, including 23,586 holders of A Shares and 240 holders of H Shares.				
Total number of shareholders as at the end of the last month prior to the Reporting Date	The Company had 22,392 shareholders in total, including 22,153 holders of A Shares and 239 holders of H Shares.				
Top ten shareholders as at the end of 2016					
Name of shareholder	**Nature of shareholders**	**Percentage**	**Number of shares held**	**Number of restricted circulating shares held**	**Number of shares pledged or frozen**
HKSCC NOMINEES LIMITED [note]	Overseas legal person	33.14%	722,707,099	—	Unknown
Xin Tong Chan Development (Shenzhen) Company Limited	Domestic non-state-owned legal person	30.03%	654,780,000	—	None
Shenzhen Shen Guang Hui Highway Development Company	Domestic non-state-owned legal person	18.87%	411,459,887	—	None
China Merchants Expressway Network & Technology Holdings Company Limited	State-owned legal person	4.00%	87,211,323	—	None
Guangdong Roads and Bridges Construction Development Company Limited	State-owned legal person	2.84%	61,948,790	—	None
AU SIU KWOK	Overseas natural person	0.50%	11,000,000	—	Unknown
HUANG YUN GE	Domestic natural person	0.46%	10,024,429	—	Unknown
ZHANG PING YING	Domestic natural person	0.33%	7,283,145	—	Unknown
IP KOW	Overseas natural person	0.32%	7,000,000	—	Unknown
LIU SHEN PEI	Domestic natural person	0.25%	5,499,550	—	Unknown
Connected relationship or concerted action relationship among the abovementioned shareholders	Xin Tong Chan Development (Shenzhen) Company Limited and Shenzhen Shen Guang Hui Highway Development Company are connected persons under the same control of Shenzhen International Holdings Limited. There is no connected relationship among the state-owned shareholders in the above table. The Company did not notice any connected relationship among the other abovementioned shareholders or any connected relationship among the abovementioned state-owned shareholders and other shareholders.				

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

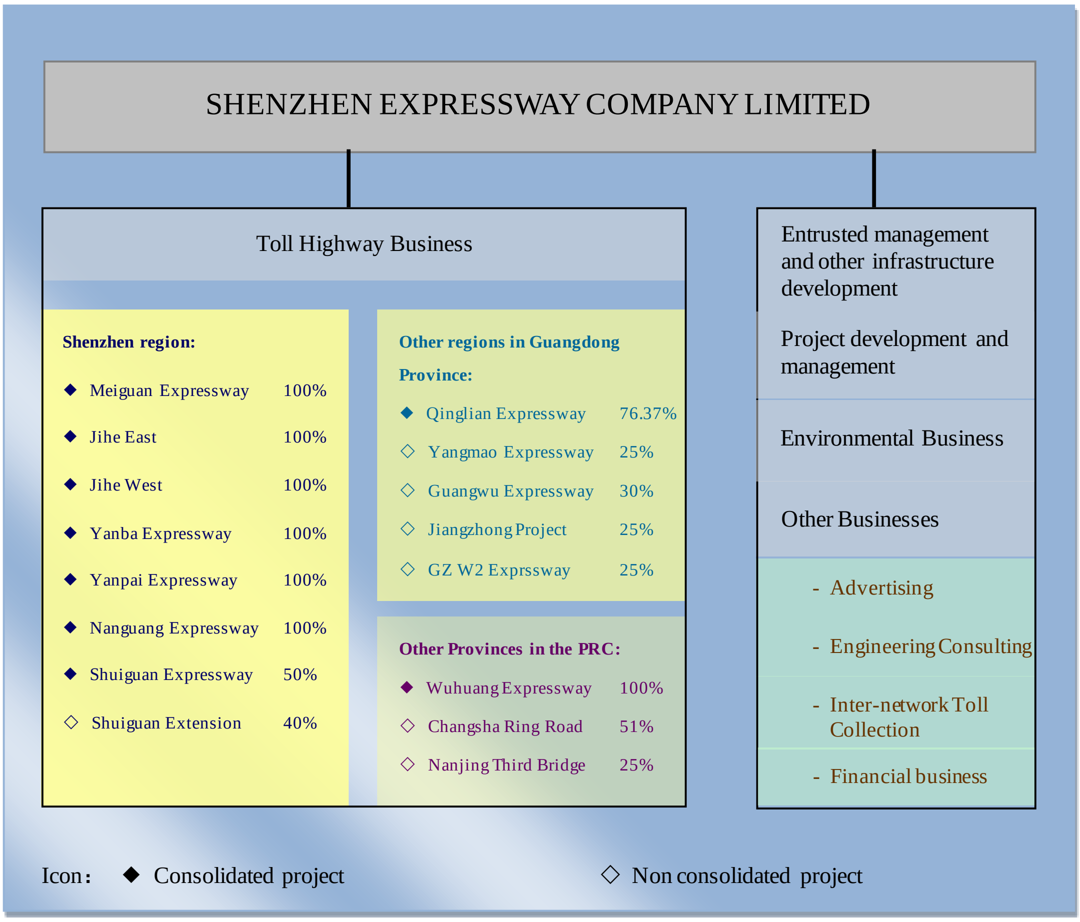
3.3 The Ownership and the Relation of Control Between the Company and the De-facto Controller



IV Report of the Directors

4.1 Business Review

In this stage, 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, environmental protection business and advertising, engineering consulting, inter-network toll collection and financial business, etc. The principle business structure of the Group is set out as follows:



In 2016, 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 RMB4,532million, representing a YOY increase of 32.50%, of which toll revenue of approximately RMB3,680million, entrusted management services revenue of approximately RMB121million, engineering consulting revenue of approximately RMB334million, real estate development revenue of approximately RMB254million, advertising and other business revenue of approximately RMB143million, accounted for 81.20%, 2.68%, 7.37%,5.60% and3.15% of the total revenue of the Group respectively.

(I) Toll Highway Business

1. Analysis of Operating Environment

(1) Operating environment

In 2016 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, the economic environment was still complicated. The GDP of the PRC recorded a YOY growth of 6.7%. The national economy operated stably in general, but was still under downward pressure. During the year, Guangdong Province and Shenzhen recorded YOY growth of 7.5% and 9.0% in their regional GDPs respectively, which were higher than the national average. The regional economy was relatively active and conducive to the general growth of the regional transportation and logistics demand via highway. During 2016, the container throughput at Shenzhen ports witnessed a YOY decrease of 0.93%, of which the container throughput of Yantian Port experienced a YOY decrease of 3.86%, thus producing a negative impact on Jihe Expressway, Yanba Expressway, and Yanpai Expressway of the Group. Under the combined effect of various factors in the macro and regional economic environment, the Group's overall operation performance in toll highways maintained stable during the Reporting Period. [Source of data: Government statistics information website]

(2) Policy environment

The policies for the toll highway industry had no significant changes in 2016.

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 the 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 implementation of the abovementioned two policies had respectively a positive and negative effect on the toll revenue of the Group, but the overall effect was insignificant. Such policies, on the one hand, resulted in an enhanced traffic efficiency of expressways and exerted a positive effect on the comprehensive governing of over-loaded vehicles and maintaining the safety of roads and bridges. On the other hand, 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. 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. However, the impact on YOY changes of projects' revenue has been eliminated generally.

2. Business Performance and Analysis

In 2016, the traffic volume and toll revenue of most of the 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) [1]			Average daily toll revenue (RMB'000)		
	2016	2015	YOY Change	2016	2015	YOY Change
Guangdong Province Shenzhen region:						
Meiguan Expressway [2]	**83**	75	11.0%	**311**	283	10.1%
Jihe East	**250**	219	13.9%	**1,767**	1,745	1.3%
Jihe West	**202**	176	15.3%	**1,642**	1,491	10.1%
Shuiguan Expressway[3]	**227**	191	18.7%	**1,693**	1,537	10.1%
Shuiguan Extension	**98**	75	29.6%	**300**	254	18.0%
Guangdong Province - other regions:						
Qinglian Expressway	**37**	33	10.4%	**1,835**	1,746	5.1%
Yangmao Expressway	**46**	40	13.2%	**1,800**	1,695	6.2%
Guangwu Project	**40**	35	15.2%	**1,025**	894	14.6%
Jiangzhong Project	**120**	107	12.2%	**1,133**	1,067	6.2%
GZ W2 Expressway	**59**	50	17.3%	**1,074**	990	8.4%
Other Provinces in the PRC:						
Wuhuang Expressway[4]	**44**	41	8.1%	**939**	908	3.4%
Changsha Ring Road	**26**	20	32.7%	**312**	223	40.0%
Nanjing Third Bridge	**27**	27	1.9%	**1,098**	1,041	5.5%

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 collection for the section from Shenzhen-Dongguan border to Guanlan with a mileage of approximately 5.4 km was remained.

(3) The Group acquired further 10% equity interest in Qinglong Company in 2015 and achieved substantial control over Qinglong Company. Qinglong Company was included into the Group's consolidated financial statements on 30 October 2015, with the percentage of revenue consolidation adjusted from zero to 100%.

(4) The Group acquired further 45% interest equity in JEL Company on 2 December 2016, and thereby obtained 100% equity in Wuhuang Expressway.

(5) According to the agreement signed between the Group and Shenzhen Transport Commission, Yanba Expressway, Yanpai Expressway and Nanguang Expressway should become toll free from 0:00 on 7 February 2016. The Company calculated and recognised the revenue according to the agreed method under the agreement.

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 in Shenzhen in recent years, coupled with the cancellation of toll collection of certain expressways and local roads, the traffic distribution and composition of the road network in Shenzhen has also changed. Since Meiguan Expressway has adjusted the tolling system in April 2014, the increase in the traffic volume of toll free section has not only driven the traffic growth of toll section but also boosted the performance of the connected Jihe Expressway. Shenzhen Yantian'ao tunnel has been cancelled toll collection from 1 February 2015, which resulted in a greater diversion of vehicles on Yanba Expressway and Yanpai Expressway and brought along a slight negative impact on the performance of Jihe Expressway. During the Reporting Period, according to the agreement signed between the Company and the Transport Commission, Yanpai Expressway, Yanba Expressway and Nanguang Expressway have become toll free 0:00 on 7 February 2016, and the Company calculated and recognised the revenue from these highway projects according to the agreed method under the agreement. The increase in the traffic of the free highways has also driven the growth in the traffic volume of the connected Jihe Expressway and Shuiguan Expressway. In addition, due to the road closure for maintenance and reinforcement in the westbound direction on the Bridge of Pinghu Marshalling Station in Jihe East from mid-May to mid-July 2016, the total toll revenue of Jihe East was affected negatively during the construction period. However, the improvement of traffic capacity can help boosting the performance of the project.

During the Reporting Period, the overall toll revenue of the Group's toll highway projects in Shenzhen has a YOY increase. To realise the electronic toll collection for highways across the country, Guangdong Province has implemented vehicle classification and cargo vehicle toll by weight in accordance with the national standard since the end of June 2015. Due to some differences in the proportion of vehicle models of relevant projects, the implementation of these two policies has brought a positive and negative impact on the Group's toll revenue in Shenzhen, but as a whole, the positive impact is greater than the negative one.

(2) Guangdong Province - Other regions:

Benefiting from the growth of the regional economy along the highway and the implementation of the collection of cargo vehicle toll by weight, during the Reporting Period, the average daily traffic volume and toll revenue of both Yangmao Expressway and GZ W2 Expressway have achieved a good growth YOY. Moreover, the section from Wuzhou to Guigang of Cangshuo Expressway (Cangwu to Shuolong) in Guangxi was opened for traffic in the first half of 2015, making the road network connecting with Yunwu Expressway (Yunfu to Wuzhou) in Guangxi more perfect, and has contributed to the growth of traffic volume in the road network areas between the two provinces and thus boosted the growth of traffic volume of Guangwu Project. However, Jiangluo Expressway (Jiangmen to Luoding) Phase II was opened for traffic on 28 December 2016. As it is basically parallel to Guangwu Project, a great diversion impact will be brought to Guangwu Project.

Guangle Expressway (Guangzhou to Lechang, in Guangdong), being the dual line of G4 National Expressway (Guangdong Section) (formerly known as Jingzhu Expressway) and Erguang Expressway (Lianzhou to Huaiji section, in Guangdong)were completed and opened in September 2014 and at the end of December 2014 respectively. As the above expressways are close to Qinglian Expressway and the route connecting Erguang Expressway with Qinglian Expressway is being built, some diversion impact has been brought to Qinglian Expressway. During the Reporting Period, Qinglian Company's active publicity on routes and implementation of multi-level marketing strategy have taken effect, with the diversion impact tending towards stability. On the other hand, the expansion project of Guangqing Expressway was completed at the end of September 2016. The improvement of road network helps enhance the efficiency and service capability of the whole passageway, further raising the business performance of Qinglian Expressway in the future.

(3) Other provinces

In 2016, the toll revenue of Wuhuang Expressway basically remained the same as that in the same period of 2015, 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. Due to the growth of large truck traffic, the toll revenue of Nanjing Third Bridge has increased YOY but it is under some diversion impact because Nanjing Wei San Road Tunnel and Wei Qi Road Tunnel have become toll free from 1 January 2016. Benefiting from the positive impacts of various factors including the improvement of road networks, implementation of toll-by-weight, implementation of traffic control measures of neighbouring roads and business growth of enterprises along the highway, the toll revenue of Changsha Ring Road maintained a relatively rapid YOY growth.

3. Business Management and Upgrade

◆ Strengthen Operation Management to Improve Service Efficiency

Under the new situation that ETC has been implemented nationwide, the previous tolling model and operation management model have changed. During the Reporting Period, the Group has closely monitored the operation after the system was switched, constantly revised and improved work flows and management system and strengthened the business training and practice of the staff. By continuously optimising standardised operation management modules, the Group has reformed and upgraded the software and hardware of its tolling system to improve service quality and work efficiency through delicacy management. The Three Projects has become toll free at 0:00 on 7 February 2016. After full communication and cooperation with Guangdong Industry Management Association, Electronic Toll Collection Management and Technical Department to ensure accurate calculation of the toll rate, the Company has successfully switched the system. The Company's operation management department has worked out a solution and management actions for the fast growing traffic volume after the Three Projects gave free passage, standardising the emergency management system for rush-hour traffic to ensure a clear and orderly passage. Moreover, the Group has also made full use of the database of the ETC system to establish a standardised terminal operation module and an audit management mechanism, regularly fighting against toll evasion, supervising the green passageway and inspecting vehicle overloading so as to minimise the loss of toll revenue.

◆ Deepen the Marketing of Road Network and Actively Attract Traffic

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 the 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 has taken the opportunity of the free passage given by the Three Projects and Longda Expressway to carry out the marketing and promotion of the whole road network through various channels, which has boosted the growth of traffic volume of Jihe Expressway. Moreover, the Company has also taken the implementation of the new toll station of Meiguan Expressway and the nationwide inter-network as an opportunity to promote the advantages of each highway project so as to attract traffic and increase toll revenue. During the Reporting Period, Qinglian Company has focused on the Spring Festival marketing, holiday marketing and “the marketing of the integration of traffic and tourism”, boosted traffic volume by promoting the advantages of road network and implementing tourism co-marketing, meanwhile continuously paying close attention to and analysing the change of traffic and vehicle models in each section of Guangle Expressway and Erguang Expressway so as to adopt effective marketing strategies to attract traffic.

◆ Strengthen the Maintenance and Management of Highway Property and Improve Road Conditions

The Company conducted regular quality checks on highways and bridge, 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 has carried out preventive maintenance for Yanpai Expressway, completed a special inspection of the main Bridge of Pinghu Marshalling Station of Jihe Expressway East as well as of the CD2 Bridge of Jihe West, and reinforced and maintained the Bridge of Pinghu Marshalling Station. Moreover, the Group has also reinforced the retaining wall of Yanpai Expressway and standardised the expressway traffic signs. According to the actual situation and needs, the Group has conducted various small special projects such as slope reinforcement and toll station expansion so as to ensure the safety and clear passage of highways. The Company has established a regular assessment of highway maintenance planning and a dynamic adjustment mechanism to continuously improve and optimise the technical solution for maintenance so as to ensure the excellent technical conditions of highway, extend the highway service life of the highways and effectively reduce the overall maintenance cost. During the Reporting Period, Guangdong Province has been hit by strong typhoon several times, the Group has guaranteed a safety and clear passage of road network by proactively deploying precautions beforehand, closely observing and responding during the typhoon and efficiently identifying and eliminating safety risks after the typhoon.

4.Business Development

Based on the overall demand of economic development and transportation planning, the Company signed a toll adjustment agreement with the Transport Commission (on behalf of the Shenzhen Municipal People’s Government) for toll adjustment of the tolling system of Nanguang Expressway, Yanpai Expressway and Yanba Expressway. Accordingly, the adjustment was implemented in two phases from 0:00 on 7 February 2016, namely, the Company has become toll free on Nanguang Expressway, Yanpai Expressway and Yanba Expressway, the Transport Commission gives cash compensation to the Company according to the corresponding adjustment method. For details, please refer to the Company’s announcements dated 2 December 2015 and 1 February 2016 and the circular dated 12 January 2016. Based on the expected cash flow from the future revenue and/ or earnings from Nanguang Expressway, Yanpai Expressway and Yanba Expressway, the Company has obtained a large amount of cash assets at a reasonable consideration and capital cost, which helps to improve the financial position and enhance the capability and space of business development and new industry exploration so as to improve the asset structure for the Company’s long-term development and realise the new business layout as soon as possible. From the above adjustment program, the Company received a reasonable compensation and the need for sustainable development was properly considered. It is a win-win solution that is conducive to the overall advancement of the social economy along the highways, takes account of the overall situation of Shenzhen’s development and balances the interests of society, government and Company. Please refer to the following “Financial Analysis” and “Outlook and Plans” Section for the specific impact of the toll adjustment of the Three Projects on the Group’s business performance and financial positions.

During the Reporting Period, the Group has agreed on the investment, construction and management of the Outer Ring Project with the Shenzhen Municipal Government, the Transport Commission entered into a concession contract with Outer Ring Company on 18 March 2016, and the Company entered into a joint construction agreement with Shenzhen Special Economic Zone Construction and Development Group Co., Ltd. and Outer Ring Company on the even day. According to the concession contract and the joint construction agreement, the Company and Outer Ring Company should invest RMB6.5 billion in return of 25 years' of revenue from Section A of Outer Ring and bear operating costs, related taxes and risks. Shenzhen Special Economic Zone Construction and Development Group Co., Ltd., a company which is established and wholly-owned by the Shenzhen Government would bear or raise money for the excess portion. The estimated initial investment in the Section A of Outer Ring is about RMB20.6 billion. As of the date of this report, Baoan section of Outer Ring has completed more than half of the land acquisition and demolition work, pipeline relocation and construction drawing design, approval and revision were under way, the tender for most of the construction and supervision projects has been completed, the construction of the first of pile foundation of each contract section has been completed, roadbed, culvert and other construction projects were under way in an orderly manner. The Longgang section of Outer Ring has completed 80% of the land acquisition and demolition work, pipeline relocation were being fully carried out, the construction drawing design for most of the major work and the image of 20% of the main project have been completed. The Outer Ring Project is a toll highway project invested by the Group according to the PPP model. It effectively reaches the balance between the public welfare features of infrastructure and the reasonable return on business investment. It provides the public with high-quality services in a most cost-efficient way so as to achieve a win-win-win result for society, the government and the Company. The above solution has been approved by general meetings of the Company and the shareholder meeting of our indirect shareholder, Shenzhen International Holdings Ltd. For details of Outer Ring Project, please refer to the announcement dated 18 March 2016, the circular dated 25 April 2016 and the section of "Report of the Directors" in the 2016 Annual Report of the Company.

During the Reporting Period, the Group acquired 45% equity interest in JEL Company from Flywheel Investment, a wholly-owned subsidiary of Shenzhen International for RMB453.4988 million, which increased the Company's equity interest in Wuhuang Expressway from 55% to 100%. As Wuhuang Expressway has good business records and low investment risks, the increase of the equity in JEL Company helps to improve the Company's future profitability and cash flow and further consolidate the Company's core strengths in the investment, management and operation of highways, which fulfils the Company's development strategies and overall interests. Moreover, as the Company's controlling shareholder, Shenzhen International has made a commitment to avoid horizontal competition with the Company and support the Company's business development, which includes the injection of its expressway assets to the Company when conditions are met. This deal reflects the positive attitude of Shenzhen International towards the Company's development and consolidates Shenzhen International's good image of keeping its commitments. For details of the impact from increasing 45% equity interest in JEL Company on the Company's business performance and financial position, please refer to the following "Financial Analysis".

Moreover, the Company entered into an equity transfer agreement with Ping An Ventures on 20 January 2017 to acquire Ping An Innovation' 100 % equity in Yichang Company for RMB1.27 billion. Yichang Company primarily engaged in the operation management of Yichang. Yichang Expressway (Yiyang to Changde) is a two-way expressway with four lanes of which the main lane has a length of 73.1 km. It is a section of the connection line from Zhangjiajie to Changsha (G5513) of the G55 Erguang Expressway, the sixth vertical line of the national highway network, and also a main component of the skeleton of the Hunan Expressway Plan of "five vertical and seven horizontal". Yichang Expressway is situated in a superior location with good investment value. Since Yichang

Expressway commenced operation, it has maintained good business records with steady growth of traffic volume and toll revenue. The obtaining of interest in Yichang Expressway through acquisition of Yichang Company at a reasonable price helps the Company to expand its asset scale and profit base, increase stable cash, and further strengthen its core advantages in the investment, management and operation of the highways. This deal does not exert influence over the Company's business performance and financial position in 2016. For details, please refer to the Company's announcement dated 20 January 2017.

In order to build the platform for expanding the operations management of urban and transportation infrastructure, improving the competitiveness and marketability of operations management and highway property management, the Company established an indirect wholly-owned subsidiary, Operations Development Company, in December 2016. As a specialized, industrialized and corporatized operating platform of the Group's maintenance and operating services, this subsidiary will proactively expand the external market by combining investment with services and so on.

(II) Entrusted Management and the Development of Other Infrastructure

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. 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, the Group also attempts to use its own financial resources and financing capability to participate in the construction and development of local infrastructure so as to obtain a reasonable income and return.

1. Entrusted Construction Business

During the Reporting Period, the Company has had entrusted construction projects including Longda Municipal Section, Outer Ring Project, Guanlan Renmin Road - Meiguan Expressway Joints Project, Cargo Organization Adjustment Project, Coastal Phase II, Resettlement Project Phase II in Longli, Guizhou, Hengwu Road and Hengliu Road and Guizhou Logistics Port of Shenzhen International, etc. At this stage, the Group's major work for the entrusted construction business is to strengthen the safety and quality management of the projects under construction, coordinate and supervise the collection of the benefits from the entrusted construction projects, push forward with the completion and acceptance of the completed projects and proactively promote the development of new markets and the cooperation on new products.

During the Reporting Period, all the work of the entrusted construction projects has been carried out in good order. Longda Municipal Section Project was completed and accepted in December 2016. Guanlan Renmin Road - Meiguan Expressway Joints Project was completed and delivered at the end of December 2016 and is undergoing delivery and inspection works. For the information on the progress of Outer Ring Project, please refer to "Business Development" in this section. The first batch of the construction contract for Cargo Organization Adjustment Project was already signed, with the pre-construction preparations basically completed. Affected by forest land occupation and land acquisition and demolition, the construction of Cargo Organization Adjustment Project has been delayed until early 2017. During the Reporting Period, the Company has signed an entrusted construction management supplementary contract with Coastal Company for Coastal Phase II Project to agree on the business scope, schedule management objectives, the tentative amount of the service fee for entrusted construction and the amount of performance guarantee of entrusted construction of Coastal Phase II Project. For details, please refer to the Company's announcement dated 1 June 2016. As at the end of the Reporting Period, the Company has actively pushed forward Coastal Phase II Project, has completed more than half of the land acquisition and demolition work as well as the tender for the construction and supervision at some of the contracted sections. Some of the contract sections have already commenced construction of trestle bridge and pile foundation. Furthermore, during the Reporting Period, the completion settlement and government audit of Coastal Phase I, Nanping Phase II and Dezheng Road Project were under way.

As at the end of the Reporting Period, the acceptance, completion settlement and audit of the constructions of Resettlement Project Phase II in Longli, Guizhou have been completed, and the project was handed over at the end of March 2016. Moreover, during the Reporting Period, Investment Company has also undertaken the entrusted construction of Hengwu Road and Hengliu Road in Longli County. By the end of the Reporting Period, 70 % of the entrusted construction of Hengwu Road and Hengliu Road was completed. The project is scheduled to be completed in the first quarter of 2017. As at the end of the Reporting Period, the ground levelling of the entrusted construction of Guizhou Logistics Port of Shenzhen International has been completed; the relevant foundation treatment was under way.

2. Entrusted operation business

In 2016, the Company continued to be entrusted to carry out the operation management of Longda Project under the model of equity management. 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.

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. After rounds of communication and consultation with the Shenzhen Municipal Government, the Group entered into the "Entrusted Operation Management Service Agreement for the Phase I Project of the Shenzhen Section of Guangzhou-Shenzhen Coastal Expressway" with Coastal Company on 16 June 2016. Accordingly, Coastal Company entrusted the Company with the maintenance management, operation and tolling of the highway assets and related auxiliary facilities of Coastal Phase I. The Company acted as the agent of Coastal Company to exercise the relevant rights and duties for the operation management of Coastal Phase I. The entrustment started from 1 January 2014 to 31 December 2016 with a management fee of RMB18 million each year. The Company renewed the entrusted management contract with Coastal Company on 30 December 2016, with an entrustment period of three years from 1 January 2017 to 31 December 2019 and a management fee of RMB18 million each year. For details, please refer to the announcements dated 16 June 2016 and 30 December 2016 and “ the Report of the Directors” in the 2016 Annual Report of the Company.

3. Development and Management of Other Infrastructure

By the end of the Reporting Period, Investment Company has completed the project planning, construction feasibility study report and detailed constructive planning of Houmen Comprehensive Resettlement Building Project, proactively pushing forward with relevant verification and approval work. The preliminary geological survey has been completed. The tender for relevant design has been started. On 30 December 2016, the Board also approved Investment Company to provide construction and management services to the ground levelling and relevant supporting construction projects in Shenzhen-Shanwei Special Cooperation Zone, as at the end of the Reporting Period, the project was signed and the preliminary work was being pushed forward actively.

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.

(III) Development of New Industries

With the relevant management experience and resources and in accordance with the deployment of new development strategies, the Group prudently tries new business types such as the comprehensive development of land and urban regeneration, while paying close attention to and seizing the opportunities for the cooperation between the advantageous areas and the existing business-related areas as business development and expansion besides the main business as well as a beneficial supplement to revenue.

1. Development and Management of Land Projects

(1) Guilong Development Project

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 the land parcels of land with an area of approximately 2,490 mu (approximately 1,660,000 square meters) in a total consideration of approximately RMB837 million. Guishen Company has set up several 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, the buildings of construction of Phase I Stage I of Guilong Development Project (also known as “Interlaken Town Project”) (approximately 110 mu, equivalent to 70,000 square meters) are basically completed and has handed over to buyers for dwelling. After Guishen Company’s multi-level project publicity and marketing, Interlaken Town Project has created a good brand image in the local market with its unique architectural style, beautiful landscape, gardens and living environment. Currently, construction of Phase I Stage II(approximately 129 mu, equivalent to 86,000 square meters) is under construction, which is expected to complete in 2017. There were more than 80 villas subscribed by the end of the Reporting Period. Moreover, during the Reporting Period, the Board has approved Guishen Company to independently develop 400 mu (approximately 267,000 square meters) of the land parcel I of Guilong Project according to the strategy of unified planning and phased rolling development.

On 30 December 2015, Guizhou Property entered into two transfer agreements with Shenzhen 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. After the final accounting was confirmed according to the agreement, both parties determined that the transfer costs were about RMB94.583 million and RMB43.991 million. On 19 August 2016, the Board approved to transfer 100% equity interest and debts in Guizhou Hengtongsheng (it holds about 39.6 mu of land for logistics), a subsidiary that indirectly controlled by the Company, to Shenzhen International Logistics at a cost of RMB11.685 million. For details, please refer to the Company’s announcements dated 30 December 2015 and 19 August 2016. As at the end of the Reporting Period, Shenzhen International Logistics has already made all the payments of about RMB150.260 million to Guizhou Property, and the relevant transfer procedures were also completed.

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.

(2) 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. Being the reporting entity and implementing entity of Meilin Checkpoint Renewal Project, the Company and XTC Company own 49% and 51% equity interests of United Land Company respectively. The land of the Meilin Checkpoint Renewal Project is approximately 96,000 square meters, with residential and commercial purposes, a capacity building area of no more than 486,400 square meters (including public facilities) and a total land price of about RMB3.567 billion. During the Reporting Period, the Group has completed the subsequent capital injection to United Land Company, with a total investment of RMB2.45 billion. United Land Company has acquired the land use right during the Reporting Period after it made all the land payments (including land transaction fees and others) as planned. For details, please refer to the Company's announcements dated 8 August,10 September, 8 October 2014 and the circular date 17 September 2014.

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 of the end of the Reporting Period, United Land Company has basically completed the negotiation about the compensation for relocation and demolition with the existing operators and tenants of the land. The demolition work has started in early 2017. Enjoying a good location, the land price of the Meilin Checkpoint Renewal Project has advantages over the market price of the surrounding land, with good investment value and broad space for value increasing. 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 research on industry policy, 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.

(IV) Environmental Protection Businesses and Other

The Company's new development strategies clarify that in order to open up a broader space for the Group's long-term development, the Group will proactively explore the investment prospects and opportunities of the large environmental protection industry that takes water environment treatment and solid waste treatment as the main content while consolidating and enhancing the main business of toll highway.

(1) Environmental Protection Business

On December 30, 2016, the Board of Directors approved the investment company to participate in the Nanmen River Comprehensive Management Project (Nanmen River Comprehensive Management Project) in the Shenzhen-Shanwei Special Cooperation Zone. In the case of a total investment of no more than RMB320 million, the investment company and Zhongjiao Tianjin Waterway Bureau Co., Ltd.（中交天津航道局有限公司）jointly participated in the investment, construction and management of the Nanmen River Comprehensive Management Project as a consortium. As of the date of the announcement of this report, this project was signed and each aspect is being actively pushed forward.

In line with the implementation of the Company's development strategies, the Company changed the wholly-owned subsidiary of Shenzhen Expressway Luyun Construction Management Company Limited to Shenzhen Expressway Environmental Company Limited and completed the change of industrial and commercial registration on 30 December 2016. The scope of business of Environmental Company includes investment in environmental protection industrial projects and other industrial projects, environmental technology development and related environmental business consulting, cleaning services, urban road cleaning services, municipal solid waste collection and transportation, municipal public works construction, environmental management engineering and project management consulting, etc.

(2) Other Businesses

After the subscription of 382 million shares of the Bank of Guizhou in 2015, the Company has further subscribed for 44 million shares of the Bank of Guizhou during the Reporting Period. After this subscription, the Company holds a total of 426 million shares in the Bank of Guizhou. On 31 December 2016, the equity interest held by the Company in the Bank of Guizhou accounts for 4.41% of the total shares after the increase in capital and shares. As the Bank of Guizhou has a good cash dividend capability and a large space for development, the subscription for additional shares in the Bank of Guizhou can optimise the Company's asset allocation and bring a good synergy to the Company's follow-up infrastructure investment and operation in the relevant areas. For details, please refer to related content in "Financial Analysis" below.

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 has also further developed outdoor media businesses of main urban roads and provided brand building and promotion plans for customers in recent years.

To support the development strategy of Consulting Company in the capital market, Consulting Company has no longer been included in the consolidated financial statements since 30 November 2016. Consulting Company is an engineering consulting company with an independent legal status. Its business scope covers pre-consultation, survey and design, tendering agency, cost consulting, engineering supervision, engineering experiment and testing, maintenance consulting, etc., with the qualification and capability of providing consulting services to the whole process of project investment and construction.

In 2016, Guangdong UETC, an associate company of the Company, implemented a private placing. After the completion of capital increase, the shareholding of the Company in Guangdong UETC decreased from 15% to 12.86%. Guangdong UETC is principally engaged in electronic clearing business of the toll highways in Guangdong Province, including investment, management and services of electronic toll and clearing systems, and the sales of related products.

During the Reporting Period, each of the above business, in general, proceeded smoothly and has met the Group's expectation in general. Limited by the scales or investment mode, the contributions from these businesses currently only account for a very small proportion of the Group's revenue and profit. For details of other businesses of the Company during the Reporting Period, please refer to note V\35 to the Financial Statement in this announcement.

4.2 Financial Analysis

In 2016, the Group recorded net profit attributable to owners of the Company("net profit") of RMB 1,169,353,000 (2015: RMB1,552,656,000), representing a YOY decrease of 24.69%. Excluding the investment income from the transfer of the equity interests and creditors' rights of a subsidiary by Guizhou Property during the Reporting Period, and the gains arising from re-measurement of the equity interest held prior to the acquisition date at fair value due to consolidation of Qinglong Company into the financial statements as well as the effect of the impairment provision made for relevant assets of Qinglian Company in the corresponding period of last year, the net profit increased by 7.85% YOY, this was mainly due to the combined effect of the growth of toll revenue of toll highways operated and invested by the Group, recognition of the investment income from Bank of Guizhou, and the increase of financial expenses and amortisation costs of highways.

For descriptions about investment income from the transfer of the equity interests and creditors' rights of a subsidiary by Guizhou Property, please refer to 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	4,532,209	3,420,578	32.50
Cost of services	2,532,931	1,678,748	50.88
Selling expenses	18,637	14,102	32.16
General and administrative expenses	138,535	134,012	3.38
Financial expenses	639,443	370,700	72.50
Investment income	433,982	1,154,991	-62.43
Income tax expenses	306,027	177,177	72.72
Net cash flows from operating activities	2,126,610	1,771,505	20.05
Net cash flows from investing activities	-2,529,509	583,623	N/A
Net cash flows from financing activities	-1,529,440	2,571,025	N/A

1. Analysis of Income and Cost

During 2016, the Group recorded revenue of RMB4,532,209,000, representing a YOY increase of 32.50%, of which toll revenue amounted to RMB3,679,988,000, accounting for 81.20% of the Group's revenue, as the main source of revenue of the Group. The growth of the Group's revenue during the Reporting Period was primarily attributable to consolidation of Qinglong Company and Consulting Company into the financial statements in the second half of 2015, the growth of toll revenue from the Group's ancillary toll highways, and the recognition of real estate development revenue on Guilong Development Project. The detailed analysis of revenue is set out below:

Unit:'000 Currency: RMB

Revenue item	2016	Percentage of total (%)	2015	Percentage of total (%)	Change (%)	Description
Revenue from main business – toll highways	3,679,988	81.20	3,014,057	88.12	22.09	(1)
Revenue from other businesses – entrusted management services	121,417	2.68	94,617	2.77	28.32	(2)
Revenue from other businesses –engineering consulting	333,918	7.37	191,396	5.60	74.46	(3)
Revenue from other businesses – real estate development	253,685	5.60	N/A	N/A	N/A	(4)
Revenue from other businesses – advertising and others	143,201	3.15	120,508	3.51	18.83	
Total revenue	**4,532,209**	**100.00**	**3,420,578**	**100.00**	**32.50**	(5)

Description:

(1) During 2016, the Group recorded a YOY increase of 22.09 % in toll revenue. In particular, Qinglong Company which had been consolidated into the Group's financial statements since 30 October 2015 contributed 10-month toll revenue amounting to RMB513,686,000 during the Reporting Period. After excluding the effect of this factor, the Group recorded a YOY increase of 5.24% in toll revenue, which was mainly due to the significant growth of toll revenue of Jihe Expressway benefiting from the organic growth of traffic volume and the induced growth of traffic volume after the implementation of the toll-free policy for the Three Projects. Other ancillary toll highways had also achieved considerable growth. In addition, pursuant to the agreement on toll adjustments for the Three Projects entered into by the Company with the Transport Commission, the Company recognised compensation for the toll revenue from the Three Projects of RMB614,167,000 according to the agreement during the Reporting Period. Detailed analysis of the operational performance of various projects during the Reporting Period is set out in the Business Review above. Breakdown of revenue by specific component is set out in the "Breakdown of Main Business by Industry,Product and Region" below.

(2) Revenue from entrusted management services recorded a YOY increase of RMB26,800,000, which was mainly due to recognition of RMB71,971,000 of revenue from entrusted management services under the joint investment and construction agreement relating to Section A of Outer Ring entered into by the Company in March 2016 under which the Company shall be responsible for the construction management of Section A of Outer Ring, and recognition of RMB50,943,000 of revenue from entrusted management services for the period from 1 January 2014 to 31 December 2016 under the entrusted operational management service agreement in relation to Coastal Expressway Phase I entered into by the Company during the Reporting Period. In addition, the Group adjusted and recognised the revenue from the entrusted management services in respect of both Nanping Phase II and Coastal Expressway Phase I based on the actual settlement of works and the audit results of government departments, resulting in a YOY decrease in the revenue from the entrusted management services of RMB43,545,000 and RMB34,160,000 respectively for the two projects.

(3) Consulting Company has been consolidated into the Group's financial statements since 1 July 2015 and contributed 5 months' of revenue amounting to RMB142,522,000 during the Reporting Period.

(4) Real estate development revenue of RMB253,685,000 was recognised on Guilong Development Project during the Reporting Period.

(5) Since 1 May 2016, the Company has implemented the policy of Replacement of Business Tax with Value-added Tax ("VAT Regime") for highway toll collection business, entrusted management services, and other businesses. Implementation of VAT Regime has little effect on the Group's financial position and operation results in the short term. However, given the price and tax are separated under the VAT Regime as compared with the business tax regime, the Company's revenues decreased by approximately 2% 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	3,679,988	1,863,001	49.37	22.09	31.25	Decreased by 3.54 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	671,568	391,650	41.68	5.40	5.28	Increased by 0.06 pct.pt
Jihe East	646,744	299,843	53.64	1.54	9.37	Decreased by 3.32 pct.pt
Jihe West	600,858	111,018	81.52	10.41	6.14	Increased by 0.74 pct.pt
Wuhuang Expressway	343,677	199,325	42.00	3.64	11.46	Decreased by 4.07 pct.pt
Nanguang Expressway	329,296	169,837	48.42	2.54	2.58	Decreased by 0.02 pct.pt
Yanpai Expressway	174,452	84,630	51.49	8.21	5.38	Increased by 1.30 pct.pt
Yanba Expressway	179,869	118,379	34.19	4.18	8.46	Decreased by 2.59 pct.pt
Meiguan Expressway	113,943	70,071	38.50	10.36	14.40	Decreased by 2.17 pct.pt
Subtotal	**3,060,407**	**1,444,753**	**52.79**	**5.24**	**7.35**	**Decreased by 0.93 pct.pt**
Shuiguan Expressway	619,581	418,248	32.50	N/A	N/A	N/A
Total	**3,679,988**	**1,863,001**	**49.37**	**22.09**	**31.25**	**Decreased by 3.54 pct.pt**
Breakdown of main business by region						
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	3,336,311	1,663,676	50.13	24.37	34.10	Decreased by 3.62 pct.pt
Hubei Province	343,677	199,325	42.00	3.64	11.46	Decreased by 4.07 pct.pt
Total	**3,679,988**	**1,863,001**	**49.37**	**22.09**	**31.25**	**Decreased by 3.54 pct.pt**

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

During 2016, the overall gross profit margin of the Group's ancillary toll highways was 49.37%, representing a decrease of 3.54 percentage poi nts in general. It was mainly due to the consolidation of Qinglong Company into the Group's financial statements since 30 October 2015 and th e remeasurement of the concession intangible assets of Shuiguan Exprsesway at the fair value on the date of consolidation, whick made its gros s margin relatively lower than other ancillary toll roads.

(2). Analysis of Cost

During 2016, the cost of services of the Group amounted to RMB2,532,931,000(2015: RMB1,678,748,000), representing a YOY increase of 50.88%. Among which, Consulting Company and Qinglong Company had been consolidated into the Group's financial statements in the second half of 2015, resulting in an increase of cost of services of RMB134,866,000 and RMB344,634,000, respectively, during the Reporting Period. After excluding the effect of the change of scope of consolidation, the cost of services recorded a YOY increase of 25.63%, which was mainly attributable to carry-forward of real estate development costs of Guilong Development Project, and the YOY increases in the depreciation and amortisation expenses and special maintenance expenses of ancillary toll highways and the cost of entrusted construction management services during the Reporting Period. The detailed analysis of the cost of services is set out as follows:

unit:'000 Currency: RMB

Breakdown by industry							
Industry	Cost item	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 (%)	Description
Cost of main business – toll highways	Employee expenses	290,130	11.45	231,983	13.82	25.07	(1)
	Road maintenance expenses	180,647	7.13	139,346	8.30	29.64	(2)
	Depreciation and amortisation	1,195,477	47.20	865,679	51.57	38.10	(3)
	Other business costs	196,747	7.77	182,442	10.86	7.84	
	Sub-total	**1,863,001**	**73.55**	**1,419,450**	**84.55**	**31.25**	(4)
Cost of other businesses – entrusted management services		92,649	3.66	39,480	2.35	134.67	(5)
Cost of other businesses – engineering consulting		278,150	10.98	143,284	8.54	94.13	(6)
Cost of other businesses – real estate development		213,008	8.41	N/A	N/A	N/A	(7)
Cost of other businesses – advertising and others		86,123	3.40	76,534	4.56	12.53	
Total of cost of services		**2,532,931**	**100.00**	**1,678,748**	**100.00**	**50.88**	

Other information on analysis of cost

（1） Mainly represents the consolidation of Qinglong Company into the Group's financial statements, which has resulted in an increase in employee expense of the Group.

（2） Mainly represents increase in the special maintenance expenses of Jihe East and Wuhuang Expressway.

（3） Mainly represents the consolidation of Qinglong Company into the Group's financial statements, which has resulted in an increase of RMB 277,407,000 in depreciation and amortisation, and the adjustment of unit amortisation amount of the concession intangible assets and the increase in depreciation and amortisation costs resulting from the increase in traffic volume of some toll highways in 2016.

（4） Costs presented based on detailed component are set out in the "Breakdown of Main Business by Industry, Product and Region" above.

（5） Cost of entrusted construction management services mainly represents employee expense related to the project management and other service cost payable based on the results of audit conducted by the government on the projects and the contractual commitment. The entrusted management cost recognised during the year increased by RMB53,169,000 as compared with the corresponding period of last year, mainly comprised cost of entrusted construction management services of Section A of Outer Ring .

（6） Consulting Company had been consolidated into the Group's financial statements since 1 July 2015, which resulted in an increase of a five months' cost of services amounting to RMB134,866,000 during the Reporting Period.

（7） Guilong Development Project carried forward RMB213,008,000 of real estate development cost.

(3). Major Customers and Major Suppliers

Given the nature of the Group's business, the target customers of sale of toll highways are not specific. Apart from toll revenue, the total revenue from the top five customers of the Group amounted to RMB163,086,000, accounting for 3.60% of the overall revenue of the Group; among the revenue from the top five customers, revenues from related parties amounted to RMB68,264,000, accounting for 1.51% of the total sales in the year.

The purchases from the Group’s top five suppliers amounted to RMB166,644,000, accounting for 12.84 % of total purchases of the Group;of which the purchases related to the connected parties from the purchases of top five suppliers amounted to RMB17,150,000, accounting for 1.32 % of total purchases of the Group.

2. Expenses

The Group’s selling expenses for the year of 2016 amounted to RMB18,637,000(2015: RMB14,102,000), representing a YOY increase of 32.16%. The increase was mainly attributable to the increase in the marketing expenses of Guilong Development Project.

The Group’s general and administrative expenses for the year of 2016 amounted to RMB138,535,000 (2015: RMB134,012,000), almost unchanged as compared with the corresponding period of last year.

The Group’s financial expenses for the year of 2016 amounted to RMB639,443,000(2015: RMB370,700,000), representing a YOY increase of 72.50%, which was mainly attributable to a YOY increase in the interest-bearing liabilities of the Group during the Reporting Period, a YOY decrease in the interest income from the compensation payment related with the toll adjustment of Meiguan Expressway, and a YOY increase in the exchange losses. The Company had entered into a foreign exchange swap transaction to hedge against exchange losses. For details of the foreign exchange swap transaction, please refer to Point (II) below. For details of the borrowing scale, please refer to "Analysis of Assets and Liabilities" below. The detailed analysis of financial expenses is as follows

Unit:’000 Currency: RMB

Financial expenses item	2016	2015	Change (%)
Interest expenses	631,890	489,200	29.17
Less: Interest capitalised	3,287	4,110	-20.04
Interest income	78,826	124,480	-36.68
Add: Time value of provisions for maintenance/resurfacing obligations of highways	-	4,195	N/A
Exchange loss and others	89,666	5,896	1,420.89
Total financial expenses	**639,443**	**370,700**	**72.50**

During 2016, the Group’s income tax expenses amounted to RMB306,027,000(2015: RMB177,177,000), representing a YOY increase of 72.72%. Such increase was mainly attributable to growth of profits during the Reporting Period and the reversal of deferred tax liabilities related to provisions made for asset impairment on Qinglian Project in the corresponding period of last year. Details of the Group’s applicable income tax rate and income tax expenses for the year are set out in notes IV and V\45 to the Financial Statements in this announcement.

3. Investment Income

During 2016, the Group’s recorded investment income of RMB433,982,000(2015: RMB1,154,991,000), representing a YOY decrease of 62.43%. After excluding the effect of RMB899,490,000 gain arising from re-measurement of the equity interest held prior to the acquisition date at fair value due to consolidation of Qinglong Company into the financial statements in the corresponding period of last year, the investment income increased by 69.86% YOY, mainly due to the recognition of RMB101,535,000 investment income from Bank of Guizhou, and transfer of the equity interests and creditors’ rights of a subsidiary by Guizhou Property, leading to increase in the Group's investment income by RMB69,502,000. The investment income from joint ventures and associates attributable to the Group during the Reporting Period amounted to RMB243,932,000(2015:

RMB248,425,000), representing a YOY increase of 39.08% excluding the investment income from Shuiguan Expressway in last year, 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 such factors as the organic growth of traffic volume and improvement of regional road networks, as well as the decrease in financial expenses due to smaller borrowing scale and reduced capital cost. The detailed analysis of investment income from joint ventures and associates is as follows:

Unit:'000 Currency: RMB

Toll highway	*Toll revenue*		*Cost of services*		*Gross profit margin*		Investment income of the Group [Note]	
	2016	*Change (%)*	*2016*	*Change (%)*	*2016*	*Change (pct. pt)*	2016	Change
Joint ventures:								
Changsha Ring Road	114,170	40.42	51,379	13.02	55.00	10.91	26,307	12,484
Associates:								
Shuiguan Extension	109,618	18.36	80,247	17.72	26.79	0.40	4,781	2,618
Yangmao Expressway	658,998	6.56	223,347	40.24	66.11	-8.14	79,995	310
Guangwu Project	375,089	14.96	137,367	19.74	63.38	-1.46	45,827	8,396
Jiangzhong Project	414,543	6.48	308,176	19.58	25.66	-8.14	16,672	5,674
GZ W2 Expressway	393,006	8.73	154,074	2.08	60.80	2.55	34,133	34,583
Nanjing Third Bridge	401,809	5.80	139,028	6.79	65.40	-0.32	36,217	4,484
Total	/	/	/	/	/	/	**243,932**	**68,549**

Note: The RMB73,042,000 of investment income of Qinglong Company achieved prior to its consolidation into the financial statements in 2015 was not included in the investment income of the Group as set out in the above table. GZ W2 Company adjusted and recognised the income tax expenses in prior years in 2015 in accordance with relevant requirements, resulting in a significant YOY increase. Details are set out in Notes V\12and 42 to the Financial Statements in this announcement.

4. 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 2016, the Group's net cash inflows from operating activities and cash return on investments[Note] totalled RMB2,410,065,000(2015: RMB1,942,475,000), representing a YOY increase of 24.07%, which was mainly due to the fact that Qinglong Company had been consolidated into the financial statements, resulting in an increase in the Group's net cash flows from operating activities, and tax payment of RMB423,964,000 in relation to the gains on disposal of assets of Meiguan Expressway in the corresponding period of last year.

Note: Aggregated figures of net cash inflows from operating activities and cash return on investments = Net cash flows from operating activities + Cash received from 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 paid for additional capital contribution of United Land Company and purchased wealth management products from banks during the Reporting Period. The net cash outflows from investing activities amounted to RMB2.53 billion.

Descriptions on the reasons for changes in net cash flows from financing activities: In the corresponding period of last year, the Group received compensation for the toll adjustment of the Three Projects in the amount of RMB6.588 billion, resulting in a significant decrease in the net cash inflows from financing activities during the Reporting Period.

5. 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 30(1) to the Financial Statements in this announcement.

During the preliminary operational stage of toll highways 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 2016, the difference in amortisation amount attributable to the Company calculated by using the two amortisation methods based on its share of interests was RMB124 million, representing a YOY decrease. 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.

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

1.Investment Income from Transfer of the Equity Interests and Creditors' Rights of a Subsidiary by Guizhou Property

During the Reporting Period, Guizhou Property completed the transfer of the entire equity interest in and creditors' rights of its wholly-owned subsidiary Guizhou Pengbo, 51% equity interest in Guizhou Hengtongli, and the entire equity interest in and creditors' rights of Guizhou Hengtongsheng, recognising equity transfer income of RMB52,828,000, and recognised gains of RMB16,673,000 from re-measurement of the remaining equity interest of Guizhou Hengtongli held by it at fair value after losing control of the latter, leading to total increase of RMB44,065,000 in the net profit of the Group during the Reporting Period. Details are set out in notes V\42 and VI\2 to the Financial Statements in this announcement.

2.Gains from Changes in Fair Value Recognised for Foreign Exchange Swap Transaction on Issued USD Debenture

The Company issued a 5-year overseas debenture amounting to USD300 million on 18 July 2016. To mitigate the risks related to fluctuation in USD exchange rate, the Company entered into a foreign exchange swap transaction to lock in foreign exchange risk. During the Reporting Period, the Group recognised gains from changes in fair value of RMB74,991,000 of the swap transaction instrument, which almost equals to the exchange losses from the USD debenture during the Reporting Period. Details are set out in note V\7 to the Financial Statements in this announcement.

(III) Analysis of Assets and Liabilities

1. Assets and Liabilities

The Group's assets mainly comprise the concession intangible assets of high-grade toll highways and equity investments in the companies operating toll highways, which accounts for60.83% of its total assets, while cash at bank and on hand as well as other assets account for 17.49% and 21.68% of its total assets, respectively. As at 31 December 2016, the Group's total assets amounted to RMB32,384,844,000 (31 December 2015: RMB31,670,655,000), increasing by 2.26% as compared to the end of 2015.

As at 31 December 2016, the total outstanding interest-bearing liabilities of the Group amounted to RMB12,941,286,000 (31 December 2015: RMB13,275,685,000), representing a decrease of 2.52% as compared to the end of 2015. As the decrease was mainly attributable to repayment of due corporate bonds in the Reporting Period, Affected by the receipt of prepayment of RMB6.588 billion from Shenzhen Government at the end of 2015 as compensation for the toll adjustment of the Three Projects all the end of 2015 in 2016, the average borrowing scale of the Group's borrowings was RMB12.9 billion (2015: RMB8.38 billion), representing a YOY increase of 53.94%.

Analysis of assets and liabilities is as follows:

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
Interest receivable	15,870	0.05	959	-	1,554.45	（1）
Financial assets at fair value through profit or loss	74,991	0.23	-	-	N/A	（2）
Other current assets	564,329	1.74	18,880	0.06	2,889.11	（3）
Long-term prepayments	184,698	0.57	6,851	0.02	2,595.94	（4）
Available-for-sale financial assets	43,490	0.13	30,170	0.10	44.15	（5）
Long-term receivable	16,519	0.05	68,710	0.22	-75.96	（6）
Long-term equity investments	4,703,282	14.52	1,982,890	6.26	137.19	（7）
Construction in progress	13,575	0.04	29,456	0.09	-53.91	（8）
Deferred income tax assets	53,142	0.16	77,618	0.25	-31.53	（9）
Taxes payable	156,192	0.48	258,045	0.81	-39.47	（10）
Other payables	2,387,125	7.37	1,325,054	4.18	80.15	（11）
Bonds payable	3,742,864	11.56	2,690,330	8.49	39.12	（12）

Descriptions:

（1） Growth of interest income receivable from time deposits.

（2） Recognition of gains from changes in fair value of foreign exchange swap transaction on issued USD debenture.

（3） Purchase of wealth management products from banks.

（4） Prepayment of construction funds of Outer Ring Project.

（5） Capital injection to United Electronic Company.

（6） Transfer of the remaining receivables of Longli BT Project to " non-current assets due within one year".

（7） Capital injection to United Land Company and transfer of capital injection to Bank of Guizhou from "Other non-current assets" to "Long-term equity investments".

（8） Transfer of construction in progress to fixed assets upon completion.

（9） Reversal of deferred income tax assets related to deductible tax losses and provisions for maintenance/resurfacing obligations of highways.

（10） Receipt of the interest income on the compensation payment resulting from the toll adjustment and the compensation for the accrued operating costs for the Toll Free Section of Meiguan Expressway at the end of 2015 and payment of Taxation related thereto during the Reporting Period.

（11） Increase in the construction funds invested by the government for Outer Ring Project and the remaining consideration to be paid for purchase of 45% of share equity in JEL Company

（12） Issuance of debentures amounting to USD300 million, and reclassification of three-year medium-term notes amounting to RMB1 billion to"non-current liabilities due within one year".

2.Restriction on Main Assets as at the End of the Reporting Period

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

Description on mortgage and pledge of assets:

(1) Pledged by Qinglian Company, a subsidiary of the Company. As at the end of the Reporting Period, the balance of such consortium loans withdrawn by Qinglian Company was RMB1,882 million.

(2) The Outer Ring Company signed a pledge contract with the consortium led by China Development Bank, pursuant to which, the Outer Ring Company applied for a bank loan of RMB6.5 billion by pledging the proceeds and credits receivable from the operating activities of the Outer Ring Expressway. As at the end of the Reporting Period, the outer ring expressway toll collection right pledge had not yet been registered, and the outstanding principal of such consortium loans was RMB0.

3.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. During the Reporting Period, due to the combined effect of equity investment, purchase of wealth management products from banks, acquisition rights and minority shareholder's interest of JEL company and distribution of profit etc, the net borrowings-to-equity ratio increased as compared with that at the beginning of the year; interest coverage multiple and EBITDA interest multiple recorded a YOY decrease as a result of the increase in the average size of borrowings scale. Given the Group's stable and robust operating cash flows and strong financing and capital management capability, 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 2016	31 December 2015
Debt-to-asset ratio (Total liabilities/Total assets)	54.57%	52.76%
Net borrowings-to-equity ratio ((Total borrowings – cash and cash equivalents)/Total equity)	59.12%	47.42%
	2016	2015
Interest covered multiple ((Profit before tax + interest expenses)/Interest expenses)	3.56	4.38
EBITDA interest multiple (Earnings before interests, tax, depreciation and amortisation/Interest expenses)	5.52	6.20

Note: After excluding entrusted construction management project funds retained in the special deposit accounts amounting to RMB1.4 billion, the debt-to-asset- ratio as at the end of the period basically remained the same.

4. Liquidity and Cash Management

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

During the Reporting Period, the Company used idle funds to purchase principal-guaranteed RMB wealth management products from cooperative banks on the condition that both safety and liquidity of capital reserve can be assured. As at the end of the Reporting Period, all the Group's cash was deposited in commercial banks, and no deposit was placed in non-bank financial institutions or applied to investment in securities other than the aforementioned wealth management products.

Unit: '000 Currency: RMB

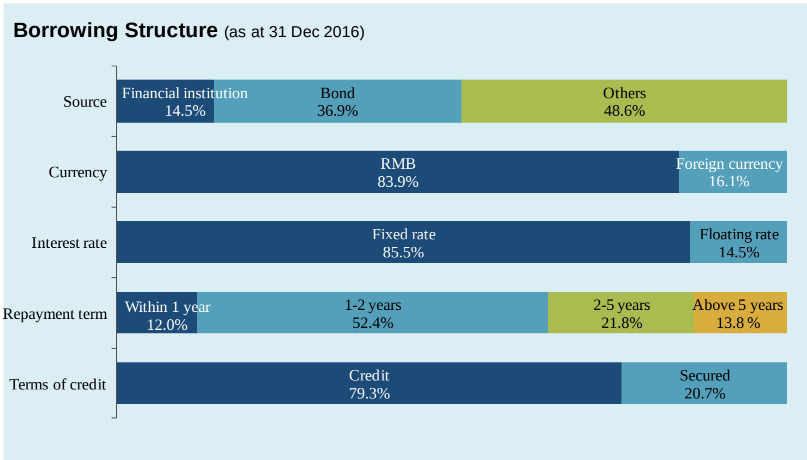
	31 December 2016	31 December 2015	Change
Net current assets	3,215	4,314	-1,099
Cash and cash equivalents	4,244	6,181	-1,937
Banking facilities available	13,114	5,430	7,684

5. Financial Strategies and Financing Arrangements

During the Reporting Period, the Central Bank of China continued to adopt the stable and healthy monetary policy, keeping the overall market interest rate at a low level, and RMB periodically depreciated against USD with increasingly notable bilateral volatility. In order to establish a domestic and overseas financing platform and expand financing sources, the Company issued a 5-year fixed rate overseas debenture amounting to USD300 million in the middle of July in accordance with the Company's development strategy to finance the investment and construction and its working capital, leading to further optimisation of the capital structure and lower the composite capital costs of the Company. The Company has entered into interest rate lock-in for this overseas debentures to maintain its financial stability. During the Reporting Period, the Company arranged for prepayment of RMB500 million of debts, repaid RMB100 millions of due bank loans, and redeemed RMB1.5 billion of matured corporate bonds.

The Group's composite borrowing costs for the Reporting Period amounted to 4.97% (2015: 5.53%), which was 0.56 percentage point lower than that in 2015. During the Reporting Period, the Group did not have any overdue principal and interests for bank loans and bonds.

As at the end of the Reporting Period, the Group's borrowings comprised mainly medium to long-term borrowings and bonds. The specific borrowing structure is shown as follows:



During the Reporting Period, the Company continued to maintain the highest credit rating of AAA for domestic issuers, and obtained Moody's Seasoned Baa2, S&P BBB, and Fitch BBB rating for international issuer; as for rating for bonds, the credit rating of its corporate bonds were upgraded from AA+ to AAA, while others were maintained at their original AAA rating.

As at 31 December 2016, the Group had obtained a total of RMB20.6 billion of banking facilities, including RMB13.7 billion of borrowing facilities specifically for construction projects and RMB6.9 billion of general credit facilities. As at the end of the Reporting Period, unutilised banking facilities amounted to RMB13.1 billion

6. Contingencies

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

(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 RMB2,452 million (2015: RMB1,347million), representing a YOY increase of RMB1,105 million. The details of material equity investments in 2016 are as follows:

Unit: '000 Currency: RMB

Name of investee companies	Major business	Shareholding	Investment Amount in 2016	Description
United Land Company	As the reporting entity and legal person for the Meilin Checkpoint Urban Renewal Project and be responsible for related works in acquiring the land, as well as demolition and relocation of the Meilin Checkpoint Urban Renewal Project.	49%	1,896,300	For details, please refer to the related content in "Business Review" above and "Report of the Directors" in the Annual Report of the Company. As at 31 December 2016, the aggregate capital contribution completed by the Company was RMB2.45 billion.
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.	4.41%	68,640	As at 31 December 2016, the Company subscribed for 426 million additional shares of Bank of Guizhou by way of capital contribution in the amount of RMB664,560,000 cumulatively, accounting for 4.41% of the equity interests in Bank of Guizhou.
United Electronic Company	Principally engaged in electronic clearing business of the toll highways in Guangdong Province, including investment, management and services of electronic toll and clearing systems, and the sales of related products.	12.86%	13,320	Guangdong UETC, an associate company of the Company, proposed to implement a private placement. During the Reporting Period, the Company subscribed for 6 million shares, as a result the shareholding of the Company in Guangdong UETC decreased from 15% to 12.86%. As at 31 December 2016, the Company's cumulative capital contribution amounted to RMB43,490,000.
JEL Company	Holding 100% equity interest in Magerk Company, whose main business is toll collection and management of Wuhuang Expressway.	100%	453,499	During the Reporting Period, Mei Wah Company acquired additional 45% equity interest in JEL Company for RMB453,499,000. After completion of the transaction, the Company holds 100% equity interest in JEL Company.

(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, Outer Ring Project and other projects, the investment in road properties and mechanical and electrical facilities of the highway sections operated by subsidiaries, and capital expenditures of the subsidiaries, totalling approximately RMB382 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%	9,760	6,077,230	For details of the operational performance of related projects (except for Outer Ring Project at the beginning stage of construction) during the Reporting Period, please refer to the Analysis of Main Business as set out above.
Nanguang Expressway	3,149,320	99%	3,524	3,077,674	
Reconstruction and expansion for Meiguan Expressway	698,500	100%	2,111	641,762	
Outer Ring Project	6,500,000	6%	300,610	360,950	
Total	/	/	**316,005**	**10,157,616**	/

(3) Material Assets Measured at Fair Value

Unit: '000 Currency: RMB

Item name	Opening balance	Closing balance	Change during the period	Impact on total profit of the Reporting Period
Financial assets at fair value through profit or loss	-	74,991	74,991	74,991

(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 2016		2016			Principal business
			Total assets	Net assets	Revenue	Operating profit	Net profit/ (Net loss)	
Meiguan Company	100%	332,400	882,020	528,365	128,336	40,471	11,844	Construction, operation and management of Meiguan Expressway
Jihe East Company	100%	440,000	2,105,109	1,910,647	649,486	346,618	260,434	Construction, operation and management of Jihe East
Mei Wah Company	100%	HK $ 795,381	1,899,233	1,197,847	346,959	173,655	91,866	Indirectly holding 25% interests in Qinglian Company, 10% interests in Qinglong Company and 100% interests in Magerk Company
Qinglian Company	76.37%	3,361,000	7,655,377	2,562,706	675,755	29,359	21,952	Construction, operation and management of Qinglian Expressway and related auxiliary facilities
JEL Company/ Magerk Company	100%	US $ 28,000	883,674	748,269	346,959	143,937	107,926	JEL Company: investment holding (holding interests in Magerk Company); Magerk Company: toll collection and management of Wuhuang Expressway
Qinglong Company	50%	324,000	4,345,762	2,436,776	627,228	148,666	113,920	Development, construction, toll collection and management of Shuiguan Expressway
Investment Company	100%	400,000	1,214,517	767,659	262,542	68,269	41,147	Investment in industries and project construction
Guishen Company	70%	500,000	1,155,886	707,336	253,822	73,981	66,926	Investment, construction and management of road and urban and rural infrastructure
United Land Company	49%	5,000,000	5,496,959	4,990,824	-	（1,630）	（1,800）	As the reporting entity and legal person for the Meilin Checkpoint Urban Renewal Project and be responsible for related works in acquiring the land, as well as demolition and relocation of the Meilin Checkpoint Urban Renewal Project.

For details of the operational and financial performance of the above major controlled companies and participating companies and their businesses during the Reporting Period, please refer to related contents in "Business Review".

(VI) Proposed Profit Distribution

The Company's 2016 audited consolidated net profit and the net profit of the parent company in accordance with CASBE were RMB1,169,353,230.77 and RMB1,153,244,646.93 respectively. Pursuant to the relevant PRC laws and regulations and the Articles of Association, the Company transferred RMB115,324,464.69 to its statutory surplus reserve for the year of recommended the payment of a final dividend of RMB0.22 (tax included) per share in cash to all shareholders, totalling 479,769,471.72 for the year ended 31 December 2016, representing 41.0% of the net profit as shown in the consolidated financial statements for the year of 2016. The balance after distribution shall be carried forward to the next year. The Board did not recommend any conversion of capital reserve into share capital. Such proposal is subject to approval at the 2016 Annual General Meeting of the Company.

1. Formulation, Implementation or Adjustment of Cash Dividend Distribution

The Company has always adhered to the principle of rewarding its shareholders and has been paying cash dividends for 19 consecutive years since its listing.

Pursuant to the Articles of Association, the Company shall implement a proactive cash dividend policy with the principle of attaching great importance to reasonable return on shareholders' investment while satisfying 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 subject to consideration 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 2016 was in compliance with the requirement of the Articles of Association. In the course of formulating and determining the profit distribution proposal, the Independent Directors of the Company have issued an independent opinion after careful study and analysis of relevant factors, and the Company is also able to listen to the opinions of the Independent Directors and the shareholders from various channels, and give regard to 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: '0 Currency: 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
2016 (Proposed)	0	2.20	0	479,769,471.72	1,169,353,230.77	41.0%
2015	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%

4.3 Outlook and Plans

(I) Industry Competition Landscape and Development Trend

1. Basic Assessment on the Operating Environment

Looking forward to 2017, the domestic economy will continue to be at the bottom of the long cycle, with lingering downside pressure, but the deepening reform on the supply side will help reduce the room for a further drop; China's economy has ended its ultra-high growth era, entering into the "new normal" of steady growth with pursuit of quality growth. Against this backdrop, China’s economy is expected to maintain good momentum and promising potential to drive the relatively stable growth of domestic demands for road traffic.

In respect of the toll highway industry, the policy environment tends to be stable. The revision of the “Toll Highway Administration Ordinance” is still in progress and the society generally agrees with the principles of "reasonable returns for investors" and "users pay for highway" in the revision draft. However, agreements on policy measures, management models, operational management, sustainable development and other specific issues have not been reached. Overall, the policy guidance, criticism, public demand and reform of the toll highway industry will affect one another, and continuous revision and improvement of relevant policy will be helpful to the long-term and healthy development of the industry.

The progress of new form of urbanisation would induce huge demand for construction or upgrade and reconstruction of infrastructure and maintenance and management after the infrastructure has 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, complementing each other by nullifying weaknesses and enhancing strengths to actively promote the construction, investment, operation and management of infrastructure.

The infrastructure sector, including the toll highway, witnesses a trend towards further opening to social capital. The government has successively launched policies such as 《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 《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”), with a view to encourage and guide social capitals to be engaged in the construction and operation of infrastructure and utilities. PPP is a model that the government promotes in the field of infrastructure construction. Compared with traditional investment and financing models, the PPP model is more complicated in terms of cooperation method yet with more flexible and diversified modes of return, providing new business opportunities to companies while imposing higher requirements for their capabilities to innovate their business models. Using PPP model in toll highway projects can solve the problems caused by 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 of economic activities along highway projects can be satisfied and reasonable business returns can be provided to investors, ultimately leading to the win-win situation for all parties including the public, the government and companies.

In 2017，it is expected that the Central Bank of China will adopt a more stable and neutral monetary policy. The relatively loose monetary policy environment brought by consecutive reduction of interest rates and reserve requirements in the last two years will become more stable but slightly tighter. In response to the new situation in the international market, the RMB exchange rate of RMB and interest rates are likely to fluctuate. Credit policies are expected to remain relatively stable to meet the financing needs of various proactive fiscal policies, people's livelihood infrastructure projects, state-owned enterprise reform and the "One Belt, One Road" strategy. Generally, monetary policy in 2017 is expected to maintain stable and neutral, focusing more on structural reform of the supply side and financial risk prevention and control to create a favourable monetary and financial environment for further stabilisation of the economy. 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 arrangements and lower the capital costs.

2. Analysis on Operating Conditions

Since 2014, projects such as Meiguan Expressway, Yantian Au 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. Now, the overall impact is positive. Besides, after the implementation of the toll adjustment of Nanguang Expressway, Yanpai Expressway, Yanba Expressway and Longda Expressway from 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. According to information announced, Shenzhong Expressway connecting Shenzhen and Zhongshan is under construction and is expected to commence operation in 2023 or 2024. The aforesaid changes will help to improve the operational performance of Jihe Expressway but bring greater pressure on its capacity and operational management. Therefore, the Group is studying the possibility of expanding Jihe Expressway.

Guangle Expressway (Guangzhou-Lechang, in Guangdong) and Erguang Expressway Lianzhou to Huaiji 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 was completed as scheduled at the end of 2016. The link between Guangqing Expressway and Qinglian Expressway commenced in November 2014 and will be completed by the end of 2017 according to the information announced. 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. Han'e Expressway and National Road Shanghai-Chengdu Line are expected to have a great impact on the operational performance of Wuhuang Expressway.

(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.

In respect of the **core business**, the Company has set the "construction and operation service provider of urban and transport infrastructure" as its main business direction at this stage, and will actively promote the development of the existing core business of toll highway by further expanding 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. Based on the aforesaid principles, the Company has set its business 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 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 research and push forward the establishment and implementation of mechanisms such as employee stock ownership plan and share incentives to achieve jointly growth of the enterprise, staff and shareholders' values.

(III) Operation Plans

In 2017, 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 revenue target for 2017 of not less than RMB 4.6 billion, with the total of operating costs, management expenses and selling expenses (excluding depreciation and amortisation) of approximately RMB1.4 billion. In 2017, it is expected that the average borrowing scale (including the compensation received in advance from Shenzhen government regarding the toll adjustment of Three Projects) and the financial cost of the Group will be increase on a YOY basis.

- **Toll Highway Business:** We will make out operation management "professional, industrial, corporate" with Operations Development Company as the platform of the Company to ensure a smooth transition of the business management model and to effectively improve the operational service; improve maintenance and management of inter-network toll collection system, safeguarding its operation; as well as timely adjust road network data models to support decision-making; monitor investment in road properties by judiciously using the means of electronic, information technology; and vigorously carry out the preventive maintenance works and apply the concept of optimal maintenance cost control during the whole operation period.

- **Construction Management Business:** Improve construction efficiency by preparing preliminary organisation and planning and adopting standardised management for design of the projects. Enhance procedure control and management 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. In 2017, the major construction projects of the Group include Section A of Outer Ring, Coastal Phase II and the entrusted construction in Shenshan cooperation zone.

- **Business Development:** Properly manage the hand over works in relation to the acquisition of Yichang Project and push forward the progress of various activities of Guilong Project. Successfully proceed the development mode for Meilin Checkpoint Renewal Project and explore opportunities for the development of Shenshan cooperation zone. 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 in line with the Company's strategies.

- **Financing and Financial Management:** Comprehend the financial policies and the changes in market condition in a timely manner and strengthen the management and overall planning of the Group's financial resources so as to enhance the use of funding in a planned and prospective manner. Manage the capital structure and debt structure of the Group in a unified manner to support the Group's development strategies. Properly carry out risk management of overseas debts to prevent and overcome foreign exchange risks. Design a robust structure for project financing and compare and select various financing instruments and products to expand financing channel and lower capital cost and select a financing model suitable for the Company's development 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 expenditures on acquisition of Yichang's Company's shares. It is expected that the Group's total capital expenditure will amount to approximately RMB6 billion. by the end of 2019. 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. The capital expenditure plan of the Group from 2017 to 2019 is as follows:

Unit: RMB'000 Currency: RMB

Project	2017	2018	2019	Total
1. Investment in intangible assets and fixed assets				
Outer Ring Project	831,086	1,648,479	1,943,512	4,423,077
Reconstruction and expansion of Meiguan Expressway	55,840	900	-	56,740
Nanguang Expressway	61,240	7,440	3,650	72,330
Qinglian Project	30,330	17,830		48,160
Other Projects (Investment in mechanical and electrical equipments, etc.)	132,240	-	-	132,240
2. **Equity investment**				
Yichang Project	1,270,000	-	-	1,270,000
Total	**2,380,736**	**1,674,649**	**1,947,162**	**6,002,547**

(V) Risk Management

Through active identification, assessment and response to risk issues occurred in the operation, 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 Company's risk management system, please refer to the "Internal Control" section 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:

The operational performance of the toll highway will be affected by various management measures launched by the local government. For example, in recent years, the Shenzhen government implemented, in phases, restrictive policies on purchase of automobile, restriction on the use of non-local small passenger vehicles during specified time-slots and substantial increase in road parking charge to restrain the rapid growth of car ownership and reduce the rate of vehicle use. If the local government tightens traffic management policies and implements new traffic control measures in the toll highway that the Group invests in and operates, certain 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 some facilities of the relevant road sections of the Group. These will increase the investment and operational costs of the Company and exert greater pressure on management and coordination.

Management / response measures:

In general, the local government introduces traffic management policies and implements traffic control measures to fulfil traffic management functions and ensure smooth traffic in the road network. The Group will actively communicate and interact with the local government, meanwhile strengthen the management and operation of the road to effectively improve the efficiency of the road network, and actively work with the government's policies and measures to achieve win-win outcomes for the government, enterprises and drivers.

With 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 capabilities, traffic safety, and 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.

2. Market Risks

Risk position / analysis:

According to the agreement entered into between the Company and the Transport Commission, the Company will implement the toll-free policy for Nanguang Expressway, Yanpai Expressway and Yanba Expressway while the Shenzhen government will make compensation to the Company. The adjustment to the aforesaid roads will be implemented in two phases: In Phase 1, which ends in 31 December 2018, the Company will retain the entitlement rights to the roads and the Shenzhen government will purchase traffic services; in Phase 2, the Shenzhen government may choose to purchase services or reclaim interests in the roads by making compensations accordingly. If the Shenzhen government opts to pay to reclaim the interests in the roads during Phase 2, the Company will increase the one-off gains from disposals for reduce tolls income, profits and cash flow from operation accordingly. With strengthening finance of the local government and higher development of local economy, one cannot eliminate the possibility that local government and the Group would enter into arrangements for toll adjustments in respect of other roads invested and operated by the Group.

With further expansion and improvement of the expressway network, the number of parallel roads or substitutive routes will constantly increase and bring along 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:

The Group and the Shenzhen government, complying with market principles, reached a consensus on toll adjustment of Nanguang Expressway, Yanpai Expressway and Yanba Expressway on the basis of mutual negotiation. It is fair and reasonable for the Company no matter which option the Shenzhen government chooses during Phase 2. Facing a new operation and policy environment, the Company on the one hand maintains active communication with government authorities to jointly explore new development model to boost the balanced and sustainable development of the Company, and on the other hand chooses different business models and methods to effectively control and manage risks while gaining reasonable income and return, leveraging the experience and skills accumulated in the industry. As for the development of core businesses, 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.

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 position / analysis:

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, as the first toll highway project undertaken by the Group using the PPP mode, its investment and financing models are different from traditional models, and the rights and obligations of all participating parties during the implementation of the project are also different from that in the traditional models. Such differences impose new requirements on the Group in various aspects, including value assessment, contract design, financing arrangement, project management and communication and coordination, while bringing uncertainties to the Group's operation. In addition, the Group will continue to reserve and screen toll highway projects that are in line with its investment principles. 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.

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, and the negotiation on the compensation for relocation has been basically completed. The real estate policy adjustments, regional market changes, and tax policy adjustments will bring some uncertainties to the realisation of Meilinguan project's commercial value. 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.

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 achievements and the overall performance of the Group may be affected.

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.

For Meilin Checkpoint Renewal Project, 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 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 enhancing 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. Construction and Management Risks

Risk position / analysis:

Due to fluctuations of building materials price, rising standard and increased difficulty of land acquisition and demolition, change of design, new policy and technical regulations promulgated by the government and the development plan adjusted by the government, the Company's construction projects and entrusted construction projects may face the risks of rising costs and delayed delivery. In 2017, the Group's main construction projects will include Section A of Outer Ring, Coastal Phase II and Shenzhen-Shantou Cooperation Zone. The total construction scale in the next few years will exceed RMB25 billion. The long construction period and wide regional span make these projects prone to delay and rising cost. As the project construction entering peak period, the efforts required to ensure project quality and safety management increase, objectively giving rise to quality and safety risks.

Management/response measures:

According to the characteristics and management requirements of the construction projects, the project management department must carefully sort out project priorities and difficulties, rationally optimize the construction design, strictly perform the contract, implement various management systems as well as inspection and reward & penalty measures, and improve the measurement and payment control measures, so as to achieve dynamic cost control and management objectives.

Specify the adjustment methods of material spreads and material price adjustments in entrusted construction contracts and construction contracts, and reduce or transfer cost risks through the terms of the contract.

In terms of quality and safety management, the Company strictly implements the management procedures to strengthen the supervision of on-site materials, test management, standardisation of production operations and safety management, and provides relevant training and makes contingency plans to ensure the realisation of management objectives.

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. Due to implementation of toll adjustments for Nanguang Expressway, Yanpai Expressway and Yanba Expressway, the transportation costs of the users have lowered, leading to a surge in traffic flow of relevant expressways and thereby bringing pressure on the overall capabilities of the road network.

If problems occur 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 continue to improve its service through enhancing business operation speed and reasonable arrangement of personnel. We will strengthen traffic guidance on the basis of the analysis of traffic data based on the whole road network, especially the organization of traffic flow in rush hours, and improve services and customer experience.

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.

V. Matters Related to Financial Statements

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

Changes in Accounting Policies

Pursuant to the requirements of the relevant accounting policies and rules of the Company, and based on the actual circumstances of each of the major toll highways, the Group has revised the relevant accounting estimates for the unit amortisation amount of concession intangible assets of Qinglian Expressway, Nanguang Expressway, Yanpai Expressway and Yanba Expressway with effect from 1 January 2016, and revised the relevant accounting estimates for the unit amortisation amount of concession intangible assets of Wuhuang Expressway with effect from 1 October 2016. These changes in accounting estimates have resulted in a decrease of the equity attributable to owners of the Company as at 31 December 2016 by approximately RMB27,322,000 and a decrease in net profit of the Group for the Reporting Period by approximately RMB27,322,000, which has no significant impact on the financial position and operating results of the Group as a whole.

The details of the changes of accounting estimates of the Company were set out in note III\30 to the Financial Statements in this announcement. The above changes of accounting estimates were considered and approved at the twelfth and the twenty-third meeting of the seventh session of the Board of the Company. For details, please refer to the announcements of the Company dated 29 January and 17 March 2016.

5.2 Accounting Errors Occurred during the Reporting Period

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

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

In 2016, the changes in the scope of the consolidated financial statements of the Group is as follows:

1) Guizhou Hengtongsheng, a wholly-owned subsidiary established by the Company's subsidiary, Guizhou Property, on 6 April 2016 is consolidated into the financial statements of the Group. Guizhou Property had entered into several equity and debt transfer agreements with Shenzhen International Logistics to transfer all its equity interests and debts in each Guizhou Pengbo and Guizhou Hengtongsheng, and its 51% equity interest in Guizhou Hengtongli to Shenzhen

International Logistics. Such transfers were completed before 31 December 2016, and the Company ceased to consolidate Guizhou Pengbo, Guizhou Hengtongli and Guizhou Hengtongsheng in the financial statements of the Group.

2) Pursuant to the agreement among the Company, Consulting Company and the other shareholders of Consulting Company, Consulting Company convened an extraordinary general meeting on 30 November 2016 for the purpose of amending its articles of association and the re-election of its board of directors. Since 30 November 2016, the Company lost the actual control on Consulting Company and ceased to consolidate Consulting Company in the financial statements of the Group.

3) During the year, the Company and its wholly-owned subsidiary, Jihe East Company, jointly established Operation Development Company, which is wholly-owned by the Company (both directly and indirectly) and has been consolidated into the financial statements of the Group during the Reporting Period.

For further details of the changes in the scope of consolidation please refer to the note **VI** to the Financial Statements in this announcement.

5.4 The Consolidated Financial Statements and Notes for the Year 2016 of the Company are Set out in the Appendix to this Results Preliminary Announcement.

5.5 Results Review

The audit committee of the Company has reviewed and confirmed the financial statements and the annual report of the Company for the year 2016.

5.6 Auditors' Procedures Performed on This Results Preliminary Announcement

The figures in the 2016 Annual Results Preliminary Announcement have been agreed by the Company's auditors, PricewaterhouseCoopers Ernst & Young Hua Ming LLP ("Ernst & Young Hua Ming"), to the amounts set out in the Company's audited consolidated financial statements for the year 2016. The work performed by Ernst & Young Hua Ming in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young Hua Ming on this results preliminary announcement.

VI. Other Matters

6.1 Purchase, Sale or Redemption of Securities

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

6.2 Compliance with the Corporate Governance Code

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

6.3 Compliance with the Model Code

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

VII. Definitions

Company	Shenzhen Expressway Company Limited
Group	The Company and its consolidated subsidiaries
Year, Reporting Period, Period	The year ended 31 December 2016
Reporting Date	The date on which Annual Report 2016 of the Company is approved by the Board, i.e. 17 March 2017
YOY	Year-on-year change rate as compared to the same period of 2015
SSE	The Shanghai Stock Exchange
HKEx	The Stock Exchange of Hong Kong Limited
Listing Rules	The Rules Governing the Listing of Securities on HKEx
CASBE	The Accounting Standards for Business Enterprises (2006) of the PRC and the specific accounting standards as well as relevant provisions issued later
Transport Commission	深圳市交通運輸委員會 (The Transport Commission of Shenzhen Municipality).
SZCDGC	深圳市特區建設發展集團有限公司(Shenzhen SEZ Construction Development Group Co., Ltd.).
Joint Investment and Construction Agreement	The joint investment and construction agreement entered into among SZCDGC, the Company and Outer Ring Company in connection with Section A of Outer Ring on 18 March 2016.
Concession Agreement	The concession contract in connection with Section A of Outer Ring entered into between Shenzhen Transport Commission and Outer Ring Company on 18 March 2016.
Shenzhen International	Shenzhen International Holdings 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.
Flywheel Investments	輝輪投資有限公司(Flywheel Investments Limited)，a wholly-owned subsidiary of SZ International.
JEL Company	Jade Emperor Limited
Pingan Innovation	深圳市平安創新資本投資有限公司(Shenzhen Pingan Innovation Capital Investment Company Limited).
Yichang Company	湖南益常高速公路開發有限公司(Hunan Yichang Expressway Development Company Limited), a limited liability company incorporated in the PRC, the main business is operation and management of Yichang Expressway.

SIHCL	深圳市投資控股有限公司（Shenzhen Investment Holdings Company Limited）
Adjustment of Freight Traffic Organization Project	The entrusted construction project of the highway toll stations and ancillary facilities undertook by the Company due to the implementation of the freight traffic organization adjustment of Shenzhen.
XTC Company	新通產實業開發(深圳)有限公司 (Xin Tong Chan Development (Shenzhen) Company Limited)
SZ International Logistics	Shenzhen International Logistics Development Co., Ltd.
Meiguan Company	Shenzhen Meiguan Expressway Company Limited
Jihe East Company	Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited
Qinglian Company	Guangdong Qinglian Highway Development Company Limited
Magerk Company	Hubei Magerk Expressway Management Private Limited
Outer Ring Company	Shenzhen Outer Ring Expressway Investment Company Limited
Mei Wah Company	Mei Wah Industrial (Hong Kong) Limited
Coastal Company	Shenzhen Guangshen Coastal Expressway Investment Company Limited
Fameluxe Investment	Fameluxe Investment Company Limited
Qinglong Company	Shenzhen Qinglong Expressway Company Limited
Investment Company	Shenzhen Expressway Investment Company Limited
Guishen Company	Guizhou Guishen Investment Development Company Limited
Guizhou Pengbo	Guizhou Pengbo Investment Company Limited
Guizhou Property	Guizhou Shenzhen Expressway Property Company Limited
Guizhou Hengtongli	Guizhou Hengtongli Property Company Limited
GuizhouHengtongsheng	Guizhou Hengtongsheng Property Company Limited
Operation Development Company	Shenzhen Expressway Operation Development Company Limited
Advertising Company	Shenzhen Expressway Advertising Company Limited
United Land Company	Shenzhen International United Land Co., Ltd.
Consulting Company	Shenzhen Expressway Engineering Consulting Company Limited
Guangdong UETC	Guangdong United Electronic Toll Collection Inc.
Bank of Guizhou	Guizhou Bank Corporation Limited
Guilong Land	The peripheral land of Guilong Project which were now successfully bid by the Group. The area of the land was approximately 2,490 mu (approximately 1,660,000 square meters), among them, Guilong Project Parcel No. I is approximately 1,000 mu.
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.

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

By Order of the Board
Hu Wei
Chairman

Shenzhen, PRC, 17 March 2017

As at the date of this announcement, the directors of the Company are Mr. HU Wei (Executive Director and Chairman of the Board), Mr. WU Ya De (Executive Director and President), Mr. WANG Zeng Jin (Executive Director),Mr. LIAO Xiang Wen (Executive Director), Mr. ZHAO Jun Rong(Non-executive Director),Mr.TSE Yat Hong (Non-executive Director),Mr.LIU Ji(Non-executive Director), Mr. CHEN Yuan Jun(Non-executive Director), Mr. AU Sing Kun (Independent non-executive Director),Mr. LIN Chu Chang (Independent non-executive Director),Mr. HU Chun Yuan (Independent non-executive Director) and Mr. CHEN Tao(Independent non-executive Director).

This results preliminary announcement, which has been published on the website of HKEx at http://www.hkexnews.com.hk, only gives a summary of the information and particulars contained in the full "Annual Report 2016" of the Company. The "Annual Report 2016" of the Company containing all the information to accompany annual report required under Appendix 16 to the Listing Rules will be subsequently published on the website of HKEx in due course.

Appendix:

SHENZHEN EXPRESSWAY COMPANY LIMITED

Consolidated Financial Statements (including notes)

For the Year ended 31 December 2016

Shenzhen Expressway Company Limited

CONTENTS

Shenzhen Expressway Company Limited

Consolidated statement of financial position
31 December 2016
(All amounts in RMB unless otherwise stated)

Item	Note	31 December 2016	31 December 2015
Current assets			
Cash at bank and on hand	V.1	5,663,897,840.79	6,422,377,830.89
Accounts receivable	V.2	545,051,289.43	659,832,794.56
Notes receivable		2,928,300.00	-
prepayments	V.3	245,985,667.13	242,115,831.87
Interest receivable		15,869,806.93	959,220.83
Other receivables	V.4	99,297,652.11	123,461,626.41
Inventories	V.5	663,113,521.51	648,713,256.36
Held for sale assets		-	169,004,404.40
Current portion of non-current assets	V.6	124,169,139.84	139,082,269.66
Financial Assets at Fair Value through Profit or Loss	V.7	74,991,317.77	-
Other current assets	V.8	564,329,427.09	18,879,520.24
Total current assets		**7,999,633,962.60**	**8,424,426,755.22**
Non-current assets			
Long-term prepayments	V.9	184,697,778.86	6,850,959.00
Financial assets available-for-sale	V.10	43,490,000.00	30,170,000.00
Long-term receivable	V.11	16,519,232.87	68,710,261.56
Long-term equity investments	V.12	4,703,281,506.17	1,982,890,024.59
Investment properties		13,526,425.00	14,102,125.00
Fixed assets	V.13	1,027,753,114.01	1,156,211,660.69
Construction in progress	V.14	13,575,497.81	29,456,086.42
Intangible assets	V.15	18,323,851,443.34	19,271,775,774.01
Goodwill		-	1,543,560.21
Long-term prepaid expenses		5,373,382.60	10,980,369.76
Deferred tax assets	V.16	53,142,103.90	77,617,511.95
Other non-current assets	V.17	-	595,920,000.00
Total non-current assets		**24,385,210,484.56**	**23,246,228,333.19**
Total assets		**32,384,844,447.16**	**31,670,655,088.41**
Current liabilities			
Accounts payable	V.19	219,558,035.62	182,023,959.15
Advances from customers	V.20	227,629,755.93	232,847,835.82
Employee benefits payable	V.21	108,837,788.48	154,056,117.83
Taxes payable	V.22	156,192,214.34	258,044,934.34
Interest payable	V.23	100,188,323.21	118,790,435.51
Other payables	V.24	2,387,124,807.60	1,325,053,997.31
Current portion of non-current liabilities	V.25	1,582,010,852.14	1,836,240,879.39
Deferred revenue	V.29	2,646,278.06	3,464,972.66
Total current liabilities		**4,784,188,055.38**	**4,110,523,132.01**
Non-current liabilities			
Long-term borrowings	V.26	1,783,024,000.00	2,201,928,764.00
Bonds payable	V.27	3,742,863,939.90	2,690,329,788.48
Provisions	V.28	127,474,173.03	125,239,600.71
Deferred revenue	V.29	158,796,925.07	174,680,489.68
Deferred tax liabilities	V.16	1,239,319,854.20	1,339,812,592.32
Other non-current liabilities	V.30	5,837,822,400.00	6,067,060,199.11
Total non-current liabilities		**12,889,301,292.20**	**12,599,051,434.30**
Total liabilities		**17,673,489,347.58**	**16,709,574,566.31**
Owners' equity			
Share capital	V.31	2,180,770,326.00	2,180,770,326.00
Capital surplus	V.32	2,151,147,518.61	2,274,351,523.42
Other comprehensive income	V.33	894,501,191.30	893,605,520.32
Surplus reserve	V.34	2,031,208,432.81	1,915,883,968.12
Undistributed profits	V.35	5,416,848,490.55	5,104,281,635.31
Total equity attributable to owners of the Company		12,674,475,959.27	**12,368,892,973.17**
Minority interests	VII.1(2)	2,036,879,140.31	2,592,187,548.93
Total owners' equity		**14,711,355,099.58**	**14,961,080,522.10**
Total liabilities and owners' equity		**32,384,844,447.16**	**31,670,655,088.41**

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

Legal Representative: Hu Wei　　Chief Financial Officer: Gong Taotao　　Head of Accounting Department: Zhao Guiping

Shenzhen Expressway Company Limited

Company statement of financial position
31 December 2016
(All amounts in RMB unless otherwise stated)

Item	Note	31 December 2016	31 December 2015
Current assets			
Cash at bank and on hand		2,930,695,804.15	4,888,439,240.81
Accounts receivable	XIV.1	463,878,267.64	495,255,623.24
Advances to suppliers		6,962,705.40	6,985,783.71
Interest receivable		15,089,806.93	956,785.27
Dividends receivable		-	80,000,000.00
Other receivables	XIV.2	1,542,710,679.60	1,269,557,969.42
Inventories		1,088,338.44	1,952,913.31
Financial Assets at Fair Value through Profit or Loss	V.7	74,991,317.77	-
Other current assets		500,000,000.00	-
Total current assets		**5,535,416,919.93**	**6,743,148,315.76**
Non-current assets			
Long-term prepayments	V.9	3,329,760.00	3,329,760.00
Financial assets available-for-sale	V.10	43,490,000.00	30,170,000.00
Long-term receivables		3,225,354,145.03	3,112,019,232.87
Long-term equity investments	XIV.3	9,280,473,130.10	6,721,818,997.37
Investment properties		13,526,425.00	14,102,125.00
Fixed assets		445,238,398.93	508,597,421.41
Construction in progress		4,277,528.44	4,008,899.94
Intangible assets		4,113,798,324.87	4,327,665,068.64
Long-term prepaid expenses		1,820,583.14	2,871,534.84
Deferred tax assets		13,037,034.24	41,792,784.92
Other non-current assets		-	595,920,000.00
Total non-current assets		**17,144,345,329.75**	**15,362,295,824.99**
Total assets		**22,679,762,249.68**	**22,105,444,140.75**
Current liabilities			
Short-term borrowings		-	120,000,000.00
Accounts payable		21,239,839.51	22,230,271.50
Advances from customers		47,179,511.26	1,583,333.37
Employee benefits payable		64,919,960.99	57,554,501.48
Taxes payable		10,579,685.02	42,852,641.21
Interest payable		97,651,044.47	111,110,863.10
Other payables		899,008,576.76	1,367,946,083.86
Current portion of non-current liabilities		1,482,810,852.14	1,567,040,879.39
Total current liabilities		**2,623,389,470.15**	**3,290,318,573.91**
Non-current liabilities			
Bonds payable		3,742,863,939.90	2,694,728,466.81
Provisions		127,474,173.03	125,239,600.71
Other non-current liabilities		5,837,822,400.00	6,065,310,000.00
Total non-current liabilities		**9,708,160,512.93**	**8,885,278,067.52**
Total liabilities		**12,331,549,983.08**	**12,175,596,641.43**
Owners' equity			
Share capital	V.31	2,180,770,326.00	2,180,770,326.00
Capital surplus	XIV.4	2,313,308,096.42	2,315,587,934.74
Surplus reserve	V.34	2,031,208,432.81	1,915,883,968.12
Undistributed profits	XIV.5	3,822,925,411.37	3,517,605,270.46
Total owners' equity		**10,348,212,266.60**	**9,929,847,499.32**
Total liabilities and owners' equity		**22,679,762,249.68**	**22,105,444,140.75**

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

Legal Representative: Hu Wei Chief Financial Officer: Gong Taotao Head of Accounting Department: Zhao Guiping

Shenzhen Expressway Company Limited

Consolidated statement of profit or loss and other comprehensive income
Year ended 31 December 2016
(All amounts in RMB unless otherwise stated)

Item	Note	2016	2015
1.Total Revenue		4,532,209,156.54	3,420,578,335.19
Including: Revenue from services	V.36	4,532,209,156.54	3,420,578,335.19
2.Total costs		3,395,831,380.52	2,940,202,577.45
Including: Cost of services	V.36	2,532,931,316.07	1,678,747,609.45
Business tax and surcharges	V.37	66,285,170.24	122,641,632.55
Selling expenses		18,637,421.34	14,101,934.27
General and administrative expenses	V.38	138,534,737.61	134,011,809.39
Financial expenses	V.39	639,442,735.26	370,699,591.79
Impairment loss on assets	V.40	-	620,000,000.00
Add: Plus: Gain or loss from changes in fair values	V.41	74,991,317.77	-
Add: Investment income	V.42	433,982,120.65	1,154,990,808.91
Including: Share of profit of associates and joint ventures		306,095,527.42	247,973,476.09
3.Operating profits		1,645,351,214.44	1,635,366,566.65
Add: Non-operating income	V.43	7,253,541.79	39,930,795.95
Including: Gains on disposal of non-current assets		10,953.38	29,177,997.50
Less: Non-operating expenses	V.44	30,155,853.49	2,970,475.84
Including: Losses on disposal of non-current assets		26,964,418.09	1,840,627.93
4.Total profit		1,622,448,902.74	1,672,326,886.76
Less: Income tax expenses	V.45	306,027,093.14	177,176,928.38
5.Net profit		1,316,421,809.60	1,495,149,958.38
Net profit attributable to owners of the Company		1,169,353,230.77	1,552,656,397.24
Minority interests	VII.1(2)	147,068,578.83	-57,506,438.86
6.Other comprehensive income after tax		895,670.98	1,361.31
Item that may be reclassified subsequently to profit and loss		895,670.98	1,361.31
Including: Foreign exchange gain/loss		895,670.98	1,361.31
7.Total comprehensive income		1,317,317,480.58	1,495,151,319.69
Total comprehensive income attributable to owners of the company		1,170,248,901.75	1,552,657,758.55
Total comprehensive income attributable to minority interest		147,068,578.83	-57,506,438.86
8.Earnings per share			
Basic earnings per share (RMB/share)	V.50(1)	0.536	0.712
Diluted earnings per share (RMB/share)	V.50(1)	0.536	0.712

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

Legal Representative: Hu Wei   Chief Financial Officer: Gong Taotao   Head of Accounting Department: Zhao Guiping

Shenzhen Expressway Company Limited

Company statement of profit or loss and other comprehensive income
Year ended 31 December 2016
(All amounts in RMB unless otherwise stated)

Item	Note	2016	2015
1.Revenue from services	XIV.6	1,409,261,538.56	1,271,783,783.22
Including: Cost of services	XIV.6	578,516,502.10	500,565,700.13
Business tax and surcharges		14,135,040.61	43,425,758.99
General and administrative expenses		92,296,287.15	87,580,506.52
Financial expenses		355,957,351.33	159,117,502.36
Impairment loss on assets		-	678,765,149.21
Add: Plus: Gain or loss from changes in fair values	V.41	74,991,317.77	-
Add: Investment income	XIV.7	822,285,665.01	633,745,928.04
Including: Share of profit of associates and joint ventures		312,416,068.38	247,973,476.09
2.Operating profit		1,265,633,340.15	436,075,094.05
Add: Non-operating income		1,531,683.35	916,280.86
Including: Gains on disposal of non-current assets		2,245.54	22,520.00
Less: Non-operating expenses		1,309,884.08	1,679,116.55
Including: Losses on disposal of non-current assets		46,348.68	1,345,095.27
3.Total profit		1,265,855,139.42	435,312,258.36
Less: Income tax expenses		112,610,492.49	122,382,874.51
4. Net profit		1,153,244,646.93	312,929,383.85
5. Other comprehensive income		-	-
6. Total comprehensive income		1,153,244,646.93	312,929,383.85

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

Legal Representative: Hu Wei Chief Financial Officer: Gong Taotao Head of Accounting Department: Zhao Guiping

Shenzhen Expressway Company Limited

Consolidated statement of cash flows
Year ended 31 December 2016
(All amounts in RMB unless otherwise stated)

Item	Note	2016	2015
1.Cash flows from operating activities:			
Cash received from rendering services		4,137,701,400.62	3,686,440,969.35
Refund of taxes		68,227.54	122,411.45
Cash received relating to other operating activities	V.46(1)	129,095,298.18	297,963,315.24
Sub-total of cash inflows		4,266,864,926.34	3,984,526,696.04
Cash paid for goods and services		494,351,383.18	491,054,483.66
Cash paid to and on behalf of employees		543,509,822.50	383,899,841.39
Payments of taxes and surcharges		670,622,177.87	891,866,403.40
Cash paid relating to other operating activities	V.46(2)	431,771,516.34	446,200,837.27
Sub-total of cash outflows		2,140,254,899.89	2,213,021,565.72
Net cash flows from operating activities		2,126,610,026.45	1,771,505,130.32
2.Cash flows from investing activities			
Cash received from recovery of investments		35,795,085.86	16,568,744.77
Cash received from returns on investments		247,659,655.89	154,400,989.32
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		86,977.95	1,572,160,573.05
Cash received from disposal of subsidiaries and other business units	V.46(3)	45,593,284.91	-
Cash received relating to other investing activities	V.46(4)	4,878,006,216.24	256,773,809.68
Sub-total of cash inflows		5,207,141,220.85	1,999,904,116.82
Cash paid to acquire fixed assets and other long-term assets		382,090,574.03	128,354,455.66
Net cash paid to acquire subsidiaries and other business units	V.46(5)	1,998,260,000.00	1,285,601,947.38
Cash paid relating to other investing activities	V.46(6)	5,356,300,000.00	2,324,780.00
Sub-total of cash outflows		7,736,650,574.03	1,416,281,183.04
Net cash flows from investing activities		-2,529,509,353.18	583,622,933.78
3.Cash flows from financing activities			
Cash received from borrowings		31,000,000.00	810,000,000.00
Cash received from issuing bonds		1,967,439,454.47	897,570,000.00
Other cash received relating to financing activities	V.46(7)	-	6,588,000,000.00
Sub-total of cash inflows		1,998,439,454.47	8,295,570,000.00
Cash repayments of borrowings		2,099,901,764.00	4,174,467,000.00
Cash payments for interest expenses and distribution of dividends or profits		1,303,035,523.34	1,548,529,495.06
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		234,695,353.43	115,908,236.22
Cash payments relating to other financing activities	V.46(8)	124,942,614.23	1,548,009.44
Sub-total of cash outflows		3,527,879,901.57	5,724,544,504.50
Net cash flows from financing activities		-1,529,440,447.10	2,571,025,495.50
4.Effect of foreign exchange rate changes on cash		-5,012,626.22	-316,390.91
5.Net increase/(decrease) in cash		-1,937,352,400.05	4,925,837,168.69
Add: Cash at beginning of period		6,180,992,066.06	1,255,154,897.37
6.Cash at end of period		4,243,639,666.01	6,180,992,066.06

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

Legal Representative: Hu Wei Chief Financial Officer: Gong Taotao Head of Accounting Department: Zhao Guiping

Shenzhen Expressway Company Limited

Company statement of cash flows
Year ended 31 December 2016
(All amounts in RMB unless otherwise stated)

Item	Note	2016	2015
1.Cash flows from operating activities			
Cash received from rendering services		902,988,242.98	1,302,451,693.65
Cash received relating to other operating activities		39,162,100.69	788,839,225.19
Sub-total of cash inflows		942,150,343.67	2,091,290,918.84
Cash paid for goods and services		124,402,396.83	158,555,080.06
Cash paid to and on behalf of employees		186,814,895.62	166,822,221.93
Payments of taxes and surcharges		188,498,126.52	177,048,378.53
Cash paid relating to other operating activities		52,078,506.59	285,879,275.52
Sub-total of cash outflows		551,793,925.56	788,304,956.04
Net cash flows from operating activities		390,356,418.11	1,302,985,962.80
2.Cash flows from investing activities			
Cash received from recovery of investments		302,650,360.24	115,514,367.79
Cash received from returns on investments		609,187,807.30	1,280,732,299.53
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		-	1,920.00
Cash received relating to other investing activities		4,606,489,706.86	362,402,382.48
Sub-total of cash inflows		5,518,327,874.40	1,758,650,969.80
Cash paid to acquire fixed assets and other long-term assets		17,388,780.16	33,811,489.94
Net cash paid to acquire subsidiaries and other business units		1,978,260,000.00	1,520,220,000.00
Cash paid relating to other investing activities		5,253,654,359.99	2,725,324,780.00
Sub-total of cash outflows		7,249,303,140.15	4,279,356,269.94
Net cash flows from investing activities		-1,730,975,265.75	-2,520,705,300.14
3.Cash flows from financing activities			
Cash received from borrowings		-	930,000,000.00
Cash received from issuing bonds		1,967,439,454.47	897,570,000.00
Other cash received relating to financing activities	V.46(7)	-	6,588,000,000.00
Sub-total of cash inflows		1,967,439,454.47	8,415,570,000.00
Cash repayments of borrowings		1,619,997,000.00	1,710,000,000.00
Cash payments for interest expenses and distribution of dividends or profits		972,860,228.15	1,236,057,022.96
Cash payments relating to other financing activities		2,710,740.59	986,504.24
Sub-total of cash outflows		2,595,567,968.74	2,947,043,527.20
Net cash flows from financing activities		-628,128,514.27	5,468,526,472.80
4.Effect of foreign exchange rate changes on cash		-6,128,945.58	4,609.06
5.Net increase/(decrease) in cash		-1,974,876,307.49	4,250,811,744.52
Add: Cash at beginning of period		4,856,442,761.18	605,631,016.66
6.Cash at end of period		2,881,566,453.69	4,856,442,761.18

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

Legal Representative: Hu Wei Chief Financial Officer: Gong Taotao Head of Accounting Department: Zhao Guiping

Shenzhen Expressway Company Limited

Consolidated statement of changes in equity
Year ended 31 December 2016
(All amounts in RMB unless otherwise stated)

Item	31 December 2016						
	Attributable to owners of the Company					**Minority interests**	**Total owners' equity**
	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profit		
1. Ending balance on 31 December 2015	2,180,770,326.00	2,274,351,523.42	893,605,520.32	1,915,883,968.12	5,104,281,635.31	2,592,187,548.93	14,961,080,522.10
2. Movements for the year ended 31 December 2016	-	-123,204,004.81	895,670.98	115,324,464.69	312,566,855.24	-555,308,408.62	-249,725,422.52
(1) Total comprehensive income	-	-	895,670.98	-	1,169,353,230.77	147,068,578.83	1,317,317,480.58
Net profit	-	-	-	-	1,169,353,230.77	147,068,578.83	1,316,421,809.60
Other comprehensive income	-	-	895,670.98	-	-	-	895,670.98
(2) Profit distribution (Note V.35)	-	-	-	115,324,464.69	-856,786,375.53	-250,823,850.89	-992,285,761.73
Appropriation to surplus reserves				115,324,464.69	-115,324,464.69	-	-
Profit distribution to equity owners	-	-	-		-741,461,910.84	-250,823,850.89	-992,285,761.73
(3) Capital paid in and reduced by owners		-123,204,004.81				-332,574,633.51	-455,778,638.32
Acquisition of minority interests	-	-120,924,166.49	-	-	-	-332,574,633.51	-453,498,800.00
Other	-	-2,279,838.32	-	-	-	-	-2,279,838.32
(4)Other		-				-118,978,503.05	-118,978,503.05
3. Ending balance on 31 December 2016	2,180,770,326.00	2,151,147,518.61	894,501,191.30	2,031,208,432.81	5,416,848,490.55	2,036,879,140.31	14,711,355,099.58

Item	31 December 2015						
	Attributable to owners of the Company					**Minority interests**	**Total owners' equity**
	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profit		
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)Enterprise merger not under the common control	-	-	-	-	-	1,418,885,943.59	1,418,885,943.59
(1) 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
(2) 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
3. Ending balance on 31 December 2015	2,180,770,326.00	2,274,351,523.42	893,605,520.32	1,915,883,968.12	5,104,281,635.31	2,592,187,548.93	14,961,080,522.10

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

Legal Representative: Hu Wei | Chief Financial Officer: Gong Taotao | Head of Accounting Department: Zhao Guiping

Shenzhen Expressway Company Limited

Company statement of changes in equity
Year ended 31 December 2016
(All amounts in RMB unless otherwise stated)

Item	31 December 2016				
	Share capital	Capital surplus	Surplus reserve	Undistributed profit	Total owner's equity
1. Ending balance on 31 December 2015	2,180,770,326.00	2,315,587,934.74	1,915,883,968.12	3,517,605,270.46	9,929,847,499.32
2. Movements for the year ended 31 December 2016	-	-2,279,838.32	115,324,464.69	305,320,140.91	418,364,767.28
(1) Total comprehensive income	-	-	-	1,153,244,646.93	1,153,244,646.93
Net profit	-	-	-	1,153,244,646.93	1,153,244,646.93
(2) Profit distribution (Note V.35)	-	-	115,324,464.69	-856,786,375.53	-741,461,910.84
Appropriation to surplus reserves			115,324,464.69	-115,324,464.69	-
Profit distribution to equity owners	-	-	-	-741,461,910.84	-741,461,910.84
(3) Capital paid in and reduced by owners		-2,279,838.32			-2,279,838.32
Other		-2,279,838.32			-2,279,838.32
(4)Other				8,861,869.51	8,861,869.51
3. Ending balance on 31 December 2016	2,180,770,326.00	2,313,308,096.42	2,031,208,432.81	3,822,925,411.37	10,348,212,266.60

Item	31 December 2015				
	Share capital	Capital surplus	Surplus reserve	Undistributed profit	Total owner's 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
3. Ending balance on 31 December 2015	2,180,770,326.00	2,315,587,934.74	1,915,883,968.12	3,517,605,270.46	9,929,847,499.32

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

Legal Representative: Hu Wei   Chief Financial Officer: Gong Taotao   Head of Accounting Department: Zhao Guiping

I. General information

1. General information of the Company

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

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

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

2. The consolidation scope

The detailed information of principal subsidiaries consolidated during the year ended 31 December 2016 is disclosed in Note VII.1. The detailed information of changes of consolidation scope during the year ended 31 December 2016 is disclosed in Note VI.

These financial statements have been approved for issue by the Company’s Board of Directors on 17 March 2017.

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.

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 amortization policy of intangible assets (Note III.15 and 18), measurement of provisions (Note III.22), revenue recognition (Note III.23) and recognition of deferred income tax assets (Note III.25), etc.

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

III. Summary of significant accounting policies and accounting estimates (continued)

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

The financial statements for the year ended 31 December 2016 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 2016 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 2016 and ends on 31 December 2016.

3. Operating cycle

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

4. Functional currency

The Company adopts Renminbi ("RMB") as functional currency to prepare its financial statements except that Fameluxe Investment adopts Hong Kong dollar ("HKD") as functional currency. The financial statements are denominated in RMB unless otherwise stated.

5. Business combination

A business combination is a transaction or event that brings together two or more separate entities into one reporting entity. Business combinations are classified into business combinations involving entities under common control and Business combinations not involving entities under common control.

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

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. For a business combination involving entities under common control, the party that, on the combination date, obtains control of another entity participating in the combination is the absorbing party, while that other entity participating in the combination is a party being absorbed. The combination date is the date on which the absorbing party effectively obtains control of the party being absorbed.

Assets and liabilities (including goodwill arising from ultimate controller's acquisition of the party being absorbed) that are obtained by the absorbing party in a business combination shall be measured at their carrying amounts at the combination date as recorded by the party being absorbed. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) shall be adjusted to share premium under capital surplus. If the capital surplus is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

III. Summary of significant accounting policies and accounting estimates (continued)

5. Business combination (continued)

(2). The accounting treatment of business combinations involving enterprises not under common control

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination. 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 recognized as goodwill; where the cost of combination is lower than the acquiree's interest in the fair value of the acquiree's identifiable net assets, the difference is recognized 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 recognized amounts of the equity or debt securities.

6. Preparation of consolidated financial statements

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

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

When the Group ceases to have control over a subsidiaries due to disposal of part of the equity investment or other reasons, the interest retained should be re-measured according to the fair value at the date when control is lost. The difference between prices get from the disposal pluses the fair value of the interest retained and the net assets continuously recorded from the acquisition date is recognized as investment income in the period in which losing the control. The comprehensive income related to the original equity held by the Company is recognized as investment income in the same period. Change of minority interest is regarded as equity transaction when not losing the control.

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 unrealized 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 recognized 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 unrealized 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 unrealized 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 unrealized 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' shareholdings on the subsidiary who sold.

The difference on recognizing 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.

III. Summary of significant accounting policies and accounting estimates (continued)

7. The recognition of cash and cash equivalents

Cash and Cash equivalents comprise the Group's cash on hand and deposits that can be readily withdrawn on demand, and short-term, 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 recognized in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets, which are capitalized as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

9. Financial instruments

(1). Financial assets

(a) Classification of financial assets

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include trading financial assets and the financial assets that are classified as financial assets at fair value through profit or loss at the initial recognition.

Loans and receivables

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

Financial assets available-for-sale

Financial assets available-for-sale are either designated in this category or not classified in any of the other categories at initial recognition. Financial assets available-for-sale 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.

III. Summary of significant accounting policies and accounting estimates (continued)

9. Financial instruments (continued)

(1). Financial assets (continued)

(b) Recognition and measurement of financial assets

Financial assets are recognized 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 recognized in profit or loss for the current period. For other financial assets, transaction costs that are attributable to the acquisition of the financial assets are included in their initial recognition amounts.

Financial assets at fair value through profit or loss and financial assets available-for-sale 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 amortized 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 recognized 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 recognized in profit or loss for the current year.

(c) Impairment of financial assets

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

The objective evidence of impairment of a financial asset is the event that actually happened after the recognition of the financial asset which has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

When an impairment loss on a financial asset carried at amortized cost has occurred, the amount of loss is measured at the difference between the asset’s book value 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 recognized, the previously recognized impairment loss is reversed and the amount of reversal is recognized in profit or loss.

When an impairment loss on a financial asset available-for-sale has occurred, the amount of loss is measured at the difference between the asset’s book value and the present value of its estimated future cash flows determined according to the market yield of similar financial assets and recognized in profit or loss. Once the above asset impairment loss is recognized, it will not be reversed in the subsequent periods.

(d) Derecognition of financial assets

A financial assets is derecognized 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 book value and the consideration received and the cumulative changes in fair value that had been recognized directly in equity, is recognized in profit or loss.

III. Summary of significant accounting policies and accounting estimates (continued)

9. Financial instruments (continued)

(2). Financial liabilities

(a) Classification of financial liabilities

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

(b) Recognition and measurement

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

Borrowings and bonds payable are recognized initially at fair value, net of transaction costs incurred and subsequently measured at amortized 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 derecognized or partly derecognized when the current obligation is discharged or partly discharged. The difference between the book value of the financial liability or the derecognized part of the financial liability and the consideration paid is recognized 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/impracticably obtained, the unobservable inputs would be used.

(4) Derivative financial instruments

The Group uses derivative financial instruments, which is forward currency contracts, to hedge its foreign currency risk. Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. For derivatives which are linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, they are measured at cost.

III. Summary of significant accounting policies and accounting estimates (continued)

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 recognized at fair value of the contractual payments from the buyers or service recipients.

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

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

The criterion applied to individually significant balances	For accounts receivable, any individual amount exceeds RMB5,000,000.00 is considered to be “individually significant”; for other receivables, the criteria is any individual amount which exceeds RMB1,000,000.00.
Bad debt provision for receivables that are individually significant	Bad debt provision is made for the difference between the book value 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 groups with similar credit risk characteristics and collectively assesses them for impairment. The impairment losses are determined based on the historical actual loss and taking into consideration of the current circumstances.

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

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

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

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

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

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 book value and present value of estimated future cash flows.

11. Inventories

(1). Classification

Inventories include real estate property development, toll tickets, low value consumables, maintenance and repair parts and materials in stock, and are measured at the lower of cost and net realizable 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 are determined using specific identification method, which comprise the land cost, construction cost and other cost. 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 realizable 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 realizable value. Net realizable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs necessary to achieve completion and to make the sale and related taxes.

Inventory system adopts the Perpetual Inventory Systems.

12. Held for sale

A non-current asset or a disposal group satisfying the following conditions is classified as held for sale: (1) The non-current asset or disposal group can be disposed immediately according to the customary provisions provided for the disposal of such non-current asset or disposal group; (2) the Group has made a resolution for disposal of the non-current asset or disposal group which has been approved; (3) an irrevocable contract with the transferee has been signed and; (4) the transfer will be completed within one year. Non-current assets, except for financial assets, investment properties measured in fair value and deferred tax assets, which 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 book value. Any excess of the original book value over the fair value less costs to sell is recognized as an asset impairment loss.

III. Summary of significant accounting policies and accounting estimates (continued)

12. Held for sale (continued)

Asset and liability included in the non-current asset or disposal group that has been classified as held for sale are categorized as current asset and current liability, and disclosed separately in the balance sheet.

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 ventures. 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. Where the initial investment cost of a long-term equity investment is acquired through a business combination involving enterprises under common control, the initial investment cost is the absorbing party's share of the carrying amount of the owners' equity of the party being absorbed in the consolidated financial statements of the ultimate controlling party at combination date. The difference between the initial investment cost and the carrying amount of the consideration of the combination is adjusted to capital reserve (and excess goes to retained earnings, if any). For other comprehensive income before the combination date, it is accounted for on the same basis as would have been required if the investee has directly disposed of the related assets or liabilities. The investee's shareholders' equity recognized resulting from changes in shareholders' equity other than net profit or loss, other comprehensive income and profit distribution is charged to profit or loss when the related investment is disposed of. Among which investments remain long-term after disposal are recognized in proportion, investments converted to financial instruments after disposal are recognized in total.

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 recognized as investment income in profit or loss in the period.

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 recognized in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

III. Summary of significant accounting policies and accounting estimates (continued)

13. Long-term equity investments (continued)

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

For long-term equity investments accounted for using the equity method, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group discontinues recognising its share of net losses of an investee after the book value 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, comprehensive income and profit distribution, the Group records its proportionate share directly into capital surplus. The book value 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 recognized. For the loss on the intra-group transaction amongst the Group and its investees attributable to asset impairment, any unrealised loss is not eliminated.

On disposal of a long-term equity investment, the difference between the proceeds actually received and the book value is recognized in profit of loss for current period. For a long-term equity investment accounted for using the equity method, when the Group discontinues using equity method, any other comprehensive income previously recognized is accounted for on the same basis as would have been required for if the investee had directly disposed of the related assets or liabilities. Shareholders’ equity recognized resulting from changes in shareholders’ equity other than net profit or loss, other comprehensive income and profit distribution is charged to profit or loss in entirety. When the Group continues to use equity method, any other comprehensive income previously recognized is accounted for on the same basis as would have been required for if the investee had directly disposed of the related assets or liabilities and charged to current period profit or loss on a pro-rata basis. Shareholders’ equity recognized resulting from changes in shareholders’ equity other than net profit or loss, other comprehensive income and profit distribution is charged to profit or loss on a pro-rata basis.

(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, which 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 operational policy decisions of the investee, but is not control or joint control over those policies.

(4). Impairment of long-term equity investments

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

III. Summary of significant accounting policies and accounting estimates (continued)

14. Investment properties

Investment properties, principally comprising buildings that are held for the purpose of lease, are measured initially at cost. Subsequent expenditures incurred in relation to an investment property is included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and it can be reliably measured; otherwise, the expenditures are recognized 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 amortized 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 amortization rates of the investment properties are as follows:

	Estimated useful life	Estimated residual value rate	Annual amortization 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 book value at the date of the transfer.

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

An investment property is derecognized 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 net of its book value and related taxes and expenses is recognized in profit or loss for the current period.

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

III. Summary of significant accounting policies and accounting estimates (continued)

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 initially recognized at cost, including purchase prices, related tax and any directly attributable expenditure for bring the fixed asset to its working condition for intended use. The cost and accumulated depreciation of fixed assets injected by state shareholders to the Company on 1 January 1997 were recognized 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 book value of the replaced part is derecognized. All the other subsequent expenditures are recognized in profit or loss in the period when 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 book value over their remaining useful lives.

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

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

(3). Impairment of fixed assets

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

(4). Disposal of fixed assets

A fixed asset is derecognized 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 book value and related taxes and expenses is recognized in profit or loss for the period.

III. Summary of significant accounting policies and accounting estimates (continued)

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 capitalization and other costs necessary to bring the construction in progress ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciates from the following month. The book value of construction in progress is reduced to the recoverable amount if the recoverable amount is below the book value (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 capitalized 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 capitalization of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use, the borrowing costs incurred thereafter are recognized in profit or loss for the current period. Capitalization 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 capitalization 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 capitalization period.

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

18. Intangible assets

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

(1). Concession intangible assets

Concession intangible assets refer to the rights granted by the respective concession grantors, which entitle the Group to receive the toll fees from users and land use right obtained in conjunction with the concession arrangement. Concession intangible assets are measured at actual cost because the Group subcontracts the construction to the third parties instead of providing actual construction service, which comprises construction prices, construction related costs and borrowing costs that are eligible for capitalization and incurred before the toll roads are ready for their intended use. The concession intangible assets are initially stated at actual project costs or budget costs and then adjusted to the actual costs when project completion audit are finalized.

III. Summary of significant accounting policies and accounting estimates (continued)

18. Intangible assets (continued)

(1). Concession intangible assets (continued)

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

When toll roads are ready for their intended use, amortization of concession intangible assets is calculated to write off their costs on traffic volume amortization method. Amortization is provided on projected units-of-usage ("unit usage"), which is calculated based on the total projected traffic volume during the operating period of the concessions and the original or book value of the concession intangible assets, and then write off the concession combined with the actual traffic volume during each accounting period.

The Company has set policy to execute internal review on the total projected traffic volume during the operating period of the concessions annually. The Group also appoints an independent professional traffic consultant to perform independent professional traffic studies when material difference between actual traffic volume and projected traffic volume exists, or every 3 to 5 years and then adjust the amortization unit usage according to the revised total projected traffic volume, to ensure that the respective concession intangible assets would be fully amortized in the operating period.

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

Item	Operating period	The unit usage (RMB)
Yanba Expressway	April 2001 to April 2026(Section A), July 2003 to July 2028 (Section B), March 2010 to March 2035 (Section C) (Note III.30)	4.49(Note a)
Yanpai Expressway	May 2006 to March 2027 (Note III.30)	1.97(Note a)
Meiguan Expressway	May 1995 to March 2027	0.84
Shenzhen Airport-Heao Expressway (Western Section)	May 1999 to March 2027	0.78
Nanguang Expressway	January 2008 to January 2033(Note III.30)	4.71(Note a)
Shenzhen Airport-Heao Expressway (Eastern Section)	October 1997 to March 2027	3.49
Wuhuang Expressway	September 1997 to September 2022(Note III.30)	8.46(Note b)
Qinglian Expressway	July 2009 to July 2034 (Note III.29)	26.54(Note a)
Shuiguan Expressway	March 2002 to January 2026	5.86

Note a: As stated in Note III.30(1)(a), at the end of 2015, the Company appointed an independent professional traffic consultant to reforecast the total projected traffic volumes of Yanba Expressway, Yanpai Expressway, Nanguang Expressway and Qinglian Expressway in their remaining operating period and adjusted the unit usage of the aforesaid expressway from RMB3.98, RMB1.49, RMB4.22 and RMB25.19 to RMB4.49, RMB1.97, RMB4.71 and RMB26.54, respectively, from 1 January 2016.

Note b: As stated in Note III.30(1)(b), at the fourth quarter of 2016, the Company appointed an independent professional traffic consultant to reforecast the total projected traffic volumes of Wuhuang Expressway in its remaining operating period and adjusted the unit usage from RMB 6.52 to RMB 8.46 from 1 October 2016.

III. Summary of significant accounting policies and accounting estimates (continued)

18. Intangible assets (continued)

(1). Concession intangible assets (continued)

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 recognized in profit or loss in the period when incurred.

(2). Other intangible assets

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

(3). Periodical review of useful life and amortization method

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

(4). Impairment of intangible assets

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

19. Impairment of long-term assets

Fixed assets, construction in progress, intangible assets with finite useful lives, investment properties measured on 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 are not ready for its intended use is tested at least annually. If the result of the impairment test indicates that the recoverable amount of the asset is less than its book value, a provision for impairment and an impairment loss are recognized for the amount by which the asset's book value 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 recognized 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 book value, the corresponding impairment loss is recognized. The impairment loss is first deducted from the book value of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the book value of other assets within the asset groups or groups of asset groups in proportion to the book value of other assets.

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

20. Long-term prepaid expenses

Long-term prepaid expenses comprise the prepaid expenditures that have been made but should be recognized as expenses for the current and subsequent periods, which in total is more than one year. Long-term prepaid expenses are amortized on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortization on the balance sheet date.

III. Summary of significant accounting policies and accounting estimates (continued)

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 recognized as liabilities in the periods when the employees render services and are charged into profit or loss or capitalized in costs of related assets. The non-monetary welfare is measured at fair value.

(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 other than a defined contribution plan. During the reporting period, the Group's pension benefits are mainly pension insurance and unemployment insurance which are both defined contribution plans.

(a) Basic pension insurance

The Group's employees participate in the basic social pension insurance organized 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 recognized as liabilities during the periods when the employees render services and are recognized in profit or loss or capitalized in costs of related assets.

(b) Enterprise annuities plan

Besides the above basic social pension insurance, the Company establishes an enterprise annuities plan in accordance with relevant national enterprise annuity system policies ('enterprise annuities plan'), in which the Group's employees can voluntarily participate. The corresponding expenditures that appropriated by the certain proportion of employees' total wages, are recorded in profit or loss for the current period. Exception for this, the Company did not have any other significant social insurance commitment 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 recognized as a liability and in profit or loss on the earlier of the date the Group is unable to unilaterally withdraw the plan on the termination of employment relationship or the layoff proposal and the date costs and expenses in relation to the payment of compensation to the termination of employment relationship are recognized.

III. Summary of significant accounting policies and accounting estimates (continued)

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 recognized when the Group has a present obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from pass of time is recognized as interest expense.

The book value of provisions is reviewed at each balance sheet date and adjusted in order to reflect the best estimate for the current period.

23. Revenue recognition

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

Revenue is recognized when the economic benefits related to 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 recognized when the related services have been provided, revenue and total costs can be measured reliably and economic benefits with transaction can flow into the Group.

(2). For construction management services, when the results of the construction management services can be estimated reliably, construction management service revenue is recognized using the percentage of completion method and the stage of completion is measured by making reference to the actual construction costs and related management expenses incurred till the balance sheet date as a percentage of the total estimated construction costs and management expenses. When the results of the construction management services cannot be estimated reliably, construction management services revenue is recognized at the same amount of actual management expenses incurred only to the extent that such expenses are probable to be recovered.

(3). Income from property sales is recognized when the Group signs a contract with a buyer, then obtains the proof of buyer’s payment and delivers the property to the buyer after the property is completed and passes the acceptance. When the buyer is informed of launch literally and doesn’t have a proper reason to reject it, related revenue is recognized after the time limit of the information is over.

(4). Revenue from entrusted services is recognized on a straight-line basis over the contract period.

(5). 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 recognized no construction services revenue if the Group subcontracts the work to other parties and does not undertake the construction work on its own.

III. Summary of significant accounting policies and accounting estimates (continued)

23. Revenue recognition (continued)

(6). The Group's revenue from service like engineering consulting is recognized using the completion percentage method when the result of trade in services can be measured reliably. The completion percentage is determined by the measurement of work completed or the proportion of labor provided among the total labor or the proportion of cost provided among the total cost. In the case that result of trade in services cannot be measured reliably, if the labor cost provided can be recovered, the amount of labor income is recognized according to the amount of labor cost provided and to carry forward the same amount of the labor cost. If the labor cost provided cannot be recovered, the labor cost provided is recognized in the current profit and loss and the related revenue will not be recognized.

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

(8). 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.

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

24. Government grants

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

A government grant is recognized 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 obtained in other ways.

Government grants related to assets are recognized as deferred income and evenly distributed in profit or loss over the useful period of related assets. Government grants measured at their nominal amounts shall be recognized immediately in profit or loss for the current period.

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

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

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

III. Summary of significant accounting policies and accounting estimates (continued)

25. Deferred tax assets and deferred tax liabilities

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

Deferred tax assets are only recognized 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 utilized.

Deferred tax liabilities are recognized 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 utilized, the corresponding deferred tax assets are recognized.

Deferred tax assets and liabilities are offset when:

The deferred taxes are related to the same tax payer within the Group and the same tax authority department; and,

That tax payer has a legally enforceable right to offset current tax assets against current tax liabilities.

26. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(1). Operating leases

In the case of the lessee of an operating lease
Lease payments under an operating lease are recognized by a lessee on a straight-line basis over the lease term, and either included in the cost of the related asset or charged to profit or loss of the current period. Contingent rents are charged to profit or loss in the period in which they actually arise.

In the case of the lessor of an operating lease
Rent income under an operating lease is recognized by a lessor on a straight-line basis over the lease term, through profit or loss. Contingent rents are charged to profit or loss in the period in which they actually arise.

III. Summary of significant accounting policies and accounting estimates (continued)

26. Leases (continued)

(2). Finance leases

In the case of the lessee of a finance lease
For an asset that is held under a finance lease, at the lease commencement, the leased asset is recorded at the lower of its fair value at the lease commencement and the present value of the minimum lease payments, and the minimum lease payment is recorded as the carrying amount of the long-term payables; the difference between the recorded amount of the leased asset and the recorded amount of the payable is accounted for as unrecognized finance charge, which is amortized using the effective interest rate method over each period during the lease term. Contingent rents are charged to profit or loss in the period in which they actually arise.

27. Profit distribution

Cash dividend of the Company are recognized as liabilities when passed at the shareholders' meeting.

28. Fair value measurement

The Group measures its derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement of the related assets and liabilities at fair value is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market is one that is accessible by the Group as at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole: Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly; Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization at the end of each reporting period.

28. Other significant accounting policies and accounting estimates

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

III. Summary of significant accounting policies and accounting estimates (continued)

29. Other significant accounting policies and accounting estimates (continued)

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.

30. Changes in significant accounting policies and accounting estimates

(1). Changes in significant accounting estimates

Details and reasons for changes in accounting estimates	Procedures for approval	Effective date	Note (Financial statement items and amounts affected)
Changes in accounting estimates of unit usage of the concession intangible assets of Nanguang Expressway, Yanba Expressway, Yanpai Expressway and Qinglian Expressway	Approved by the Board of Directors of the Company on 29 January 2016.	1 January 2016	(a)
Changes in accounting estimates of unit usage of the Wuhuang expressway.	Approved by the Board of Directors of the Company on 17 March 2017.	1 October 2016	(b)

(a) Changes in accounting estimates of unit usage of concession intangible assets of Nanguang Expressway, Yanba Expressway, Yanpai Expressway and Qinglian Expressway

In the second half of 2015, pursuant to the Company's agreement with Shenzhen Government related to toll adjustment and compensation arrangement of Nanguang Expressway, Yanpai Expressway and Yanba Expressway, and the completion and open to traffic of Guangle Expressway(from Guangzhou to Lechang, in Guangdong) and Erguang Expressway(from Lianzhou to Huaiji, in Guangdong), which had more negative influence than expected as the construction of the link between Qinglian Expressway and related expressways was delayed. In the fourth quarter of 2015, the Company appointed an independent professional traffic consultant to reassess the future traffic volume of the aforesaid expressways. According to the revised projected result, the Board of Directors of the Company approved the change in accounting estimates of unit usage of intangible assets arising from the concession rights of the aforesaid expressways on 29 January 2016, and the Group adjusts the unit usage of the aforesaid expressways according to the revised total projected traffic volume from 1 January 2016 on a prospective basis. Such change in accounting estimates impacts the financial statement items for the year of 2016 as follows:

	Impact amount
Decrease in intangible assets	34,574,714.71
Decrease in deferred income tax liabilities	2,343,569.91
Decrease in taxes payable	6,675,982.29
Increase in cost of services	34,574,714.71
Decrease in income tax expenses	9,019,552.20
Decrease in net profit attributable to owners of the Company	23,713,219.75

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

III. Summary of significant accounting policies and accounting estimates (continued)

30. Changes in significant accounting policies and accounting estimates(continued)

(1). Changes in significant accounting estimates (continued)

(b) Changes in accounting estimates of unit usage of the Wuhuang expressway.

Since the actual traffic volumes of Wuhuang Expressway significantly differed from the projected traffic volume and the difference between the actual traffic volume and the previous projected traffic volumes is expected to continue. Furthermore the surrounding highway networks and traffic diversion impact become stable. According to related arrangement of Mei Wah Company purchasing 45% retained equity of Wuhuang project, the company appointed an independent professional traffic consultant to reassess the traffic volume of Wuhuang expressway in the future operating period, and provide a revised traffic volume report in the fourth quarter.The Board of Directors of the Company approved the change in accounting estimates of unit usage of intangible assets arising from the concession rights of the Wuhuang Expressways on 17 March 2017, and to adjust the unit usage of the aforesaid expressways according to the revised total projected traffic volume from 10 October 2016 using prospective application. Such change in accounting estimates impacts the financial statement items for the year of 2016 as follows:

	Impact amount
Decrease in intangible assets	6,901,359.38
Decrease in deferred tax liabilities	1,725,339.84
Increase in cost of services	6,901,359.38
Decrease in income tax expenses	1,725,339.84
Decrease in net profit attributable to owners of the Company	3,608,759.89

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

31. Others

Critical accounting estimates and judgments:

The Group continuously evaluates the critical accounting estimates and key judgments applied based on historical experience and other factors, including expectation 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 book value 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.23(2), the Group recognized revenue from construction management service using the percentage of completion method when the outcome of the construction management services can be estimated reliably.

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

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

III. Summary of significant accounting policies and accounting estimates (continued)

31. Others (continued)

(2). Amortization of concession intangible assets

As stated at Note III.18(1), amortization of concession intangible assets is provided under the traffic volume amortization method. Appropriate adjustments to the amortization of concession intangible assets will be made when there be a material difference between total projected traffic volume and the actual traffic volume.

The directors perform periodic assessment of the total projected traffic volume. The Group will appoint an independent professional traffic consultant to perform independent professional traffic studies in order to make an appropriate adjustment if there is a material and continuous 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 specifically perform independent traffic volume study on Wuhuang Expressway in 2016, and then prospectively adjusted the amortization unit according to the revised total projected traffic volume.

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

(3). Provisions for maintenance/resurfacing obligations

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

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

III. Summary of significant accounting policies and accounting estimates (continued)

31. Others (continued)

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

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

(5). Estimate of contingent consideration arising from acquisition

During the year 2015 the Company's wholly-owned subsidiary Mei Wah Company purchased 10% equity interests of Qinglong Company indirectly by purchasing 100% equity interests of Fameluxe Investment with cash consideration of RMB 280 million. After completion of the transaction, the Group will directly and indirectly hold an aggregate of 50% equity interests of Qinglong Company, and obtain the control on Qinglong Company.

The purchase agreement includes triggering condition for consideration adjustment:1) Qinglong Company and the local government authority enter into an agreement in relation to the traffic management and adjustment arrangement of Shuiguan Expressway on or before 31 December 2016, and the comparable price calculated based on the arrangement and the purchase price from the share transfer agreement is lower than the preliminary consideration; 2) On or before 31 December 2016, the aforesaid adjustment arrangement 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 5 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 RMB 266 million.

On 31 December 2016, due to the expectation that the negotiations between the Shenzhen Government and Qinglong Company on the adjustment of fees and charges were not completed before the original adjustment period (31 December 2016), Mei Wah Company, Hetai investment Company and Huayu Company and its actual controller, Mr. Chen Yangnan signed the "Supplemental Agreement", to extend the original time limit on 31December 2016 to 31 December 2018, the price adjustment trigger conditions were changed to: 1) Shenzhen Government entered into an adjustment fee agreement with Qinglong Company before 31 December 2018, and the comparable price calculated based on the arrangement and the purchase price from the share transfer agreement is lower than the preliminary consideration ; 2) On or before 31 December 2018, the aforesaid adjustment arrangement 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 5 years. On 31 December 31 2016, the Company made the best estimate based on the available information and information, and said that Qinglong Company was likely to obtain approval for extension of 4 years before 31December 2018, correspondingly, purchase price of the 10% equity remained at RMB 266 million.

(6). Impairment of concession intangible assets

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

IV. Taxation

1. Main categories and rates of taxes:

Category	**Tax base**	**Tax rate**
Value added tax(VAT)	Taxable advertisement income, Construction consulting service income	6%
VAT	Entrusted management income and others(from 1 May 2016)	6%
VAT	Real estate development income and property operating lease income	5%(simply impose)
VAT	Revenue from expressway toll road business (from 1 May 2016)	3%
Business tax	Revenue from expressway toll road business (from 1 January 2016 to 30 April 2016)	3%
Business tax	Entrusted management income and others(from 1 January 2016 to 30 April 2016)	5%
City maintenance and construction tax	Amount of commodity turnover tax paid	7%
Educational surcharge	Amount of commodity turnover tax paid	3%
Local educational surcharge	Amount of commodity turnover tax paid	2%
Construction fee for culture undertakings	Amount of advertising turnover	3%
Corporate income tax ('CIT')	Taxable income	Except the companies in the nest chart, 25%
Land Appreciation Tax	The value added of the transfer of real estate	Four level progressive rates, 30%-60%

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

Taxpaying bodies	Applicable tax rate
Shenzhen Expressway Engineering Testing Company Limited. (Testing Company)(1)	15%
Fameluxe investment(2)	16.5%
Shenzhen Expressway Finance I Limited(3)	N/A

(1) Testing Company was audited and determined as national high and new tech enterprises by Science and Technology Bureau of Shenzhen in 2015, respectively. In accordance with requirements of the Administrative Measures for Determination of High and New Tech Enterprises ("Guo Ke Fa (2008) No. 172") and Corporate Income Tax Law and the accompanying Implementation, Testing Company was entitled to the preferential corporate income tax at the rates of 15% for 3 years as from 2015. Testing Company as the subsidiary of Consulting Company was extracted from the Group's consolidation scope since 30 November 2016(Note VI.2).
(2) Fameluxe Investment is incorporated in Hong Kong with the applicable income tax rate of 16.5%.
(3) Shenzhen Expressway Finance I Limited is incorporated in British Virgin Islands, where the company is exempt from cooperate income tax.

2. Tax preference

Please refer to Note IV.1 for details.

3. Others

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

V. Notes to the consolidated financial statements

1. Cash at bank and on hand

Item	31 December 2016	31 December 2015
Cash on hand	11,843,113.81	12,730,782.03
Bank deposits	5,652,054,726.98	6,409,647,048.86
Total	**5,663,897,840.79**	**6,422,377,830.89**
Including: cash abroad	27,938,618.48	75,887,597.04

The Company is engaged to manage highway construction projects. As at 31 December 2016, project funds retained for construction management were RMB 1,420,258,174.78 (31 December 2015: RMB 241,385,764.83). Cash on hand amounts was RMB 68,068.39, and bank deposits were RMB 1,420,190,106.39. 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.47(2)).

2. Accounts receivable

(1). Categories analysis of the accounts receivable:

Category	31 December 2016					31 December 2015				
	Ending balance		Provision for bad debts		Book value	Ending balance		Provision for bad debts		Book value
	Amount	% of total balance	Amount	% of total balance		Amount	% of total balance	Amount	% of total balance	
Individually significant and provision separately assessed	-	-	-	-	-	-	-	-	-	-
receivables that are subject to provision by group with similar credit risk characteristics	545,051,289.43	100.00	-	-	545,051,289.43	659,832,794.56	100.00	-	-	659,832,794.56
Group 1	475,473,402.86	87.23	-	-	475,473,402.86	497,600,067.69	75.41	-	-	497,600,067.69
Group 2	69,577,886.57	12.77	-	-	69,577,886.57	162,232,726.87	24.59	-	-	162,232,726.87
Individually not significant but provision separately assessed	-	-	-	-	-	-	-	-	-	-
Total	**545,051,289.43**	**100.00**	**-**	**/**	**545,051,289.43**	**659,832,794.56**	**100.00**	**-**	**/**	**659,832,794.56**

V. Notes to the consolidated financial statements (continued)

2. Accounts receivable (continued)

(1). Categories analysis of the accounts receivable (continued)

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

Aging	31 December 2016		
	Accounts receivable	Provision for bad debts	% of total balance
Within 1 year	69,127,886.57	-	-
1 to 2 years	450,000.00	-	-
2 to 3 years	-	-	-
Total	**69,577,886.57**	**-**	**-**

(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 receivable assemble	478,874,887.31	-	87.86%

(3). Aging analysis of the accounts receivable:

	31 December 2016	31 December 2015
Within 1 year	110,646,743.13	228,924,786.90
1 to 2 years	59,731,559.61	277,638,044.71
2 to 3 years	258,731,262.15	101,370,814.82
Over 3 years	115,941,724.54	51,899,148.13
Total	**545,051,289.43**	**659,832,794.56**

3. Advances to suppliers

(1) Advances to suppliers presented on the basis of their respective nature:

	31 December 2016	31 December 2015
Prepaid land grant	226,901,955.83	220,088,890.00
Other	19,083,711.30	22,026,941.87
Total	**245,985,667.13**	**242,115,831.87**

As at 31 December 2016, the amount represents payment of land-transferring fund and related deed taxes made by Guishen Company and its subsidiaries, as a result of tender for land use right of a piece of land located in Longli County, Guizhou Province with area of approximately 629.41 mu. The amount was recorded in prepayment as the delivery conditions in the acquisition contract had not been met. The Company plans to transfer the land use right in open market or develop the land on its own or through cooperation with others to realize the value of the land.

V. Notes to the consolidated financial statements (continued)

3. Advances to suppliers (continued)

(2) Aging analysis of the advances to suppliers:

Aging	31 December 2016		31 December 2015	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	103,444,593.16	42.05	155,111,527.01	64.07
1 to 2 years	58,863,155.27	23.93	86,644,014.86	35.79
2 to 3 years	83,565,125.70	33.97	155,290.00	0.06
Over 3 years	112,793.00	0.05	205,000.00	0.08
Total	**245,985,667.13**	**100.00**	**242,115,831.87**	**100.00**

As at 31 December 2016, advances to suppliers over 1 year mainly comprised prepayment for acquisition of land use rights. The advances to suppliers haven't been carried over because the delivery conditions of the rights specified in the acquisition contracts had not been met or the contracts have not been completed.

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

	Amount	% of total balance
Total accumulated advances to suppliers from the five largest suppliers	233,892,495.67	95.08%

V. Notes to the consolidated financial statements (continued)

4. Other receivables

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

Item	31 December 2016					31 December 2015				
	Ending balance		Provision for bad debts		Book value	Ending balance		Provision for bad debts		Book value
	Amount	% of total balance	Amount	% of total balance		Amount	% of total balance	Amount	% of total balance	
Individually significant and provision separately assessed	-	-	-	-	-	-	-	-	-	-
receivables that are subject to provision by group with similar credit risk characteristics	99,297,652.11	100.00	-	-	99,297,652.11	123,461,626.41	100.00	-	-	123,461,626.41
Group 1	81,385,935.65	81.96	-	-	81,385,935.65	78,988,427.66	63.98	-	-	78,988,427.66
Group 2	17,911,716.46	18.04	-	-	17,911,716.46	44,473,198.75	36.02	-	-	44,473,198.75
Individually not significant but provision separately assessed	-	-	-	-	-	-	-	-	-	-
Total	**99,297,652.11**	**100.00**	**-**	**/**	**99,297,652.11**	**123,461,626.41**	**100.00**	**-**	**/**	**123,461,626.41**

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

Aging	31 December 2016		
	Other receivables	Provision for bad debts	% of total balance
Within 1 year	14,145,835.77	-	-
1 to 2 years	1,136,944.34	-	-
2 to 3 years	2,628,936.35	-	-
Total	**17,911,716.46**	**-**	-

V. Notes to the consolidated financial statements (continued)

4. Other receivables (continued)

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

Nature	31 December 2016	31 December 2015
Advances	56,671,625.89	5,441,966.56
Refund of land property changes receivable	26,451,077.06	-
Guarantee money for transfer of shares	5,000,000.00	-
Administrative imprest	3,264,894.25	4,151,014.87
Staff advances	2,843,026.52	12,311,630.57
Loans to related parties	-	31,580,381.94
Land expropriation and resettlement compensation receivable	-	28,328,230.00
Construction preserved money	-	16,578,454.06
Penalty receivable	-	8,000,000.00
Advertising receivable	-	4,500,000.00
Others	5,067,028.39	12,569,948.41
Total	**99,297,652.11**	**123,461,626.41**

(3). The five entities have largest other receivables ending balance as follows:

Company name	Nature	31 December 2016	Aging	% of total balance	Provision for bad debts
Longhua New District People's Government of Shenzhen	Advances	54,353,901.07	Within 1 year	54.74	-
The Government of Longli County, Guizhou Province	Receivable of refund of land property changes	26,451,077.06	Within 1 year	26.64	-
Shenzhen Ping'an Innovation Capital Investment Co., Ltd.	Guarantee money for equity	5,000,000.00	Within 1 year	5.04	-
Nanguang special inspection station	Advances of water and electricity expenses	1,187,778.47	over 3 year	1.20	-
Sun Hung Kai Real Estate Agency Co., Ltd.	Deposit	941,695.97	1 to 2 year	0.94	-
Total	**/**	**87,934,452.57**	**/**	**88.56**	**-**

V. Notes to the consolidated financial statements (continued)

5. Inventories

(1). Inventory classification

Item	31 December 2016			31 December 2015		
	Book value	Allowance for impairment	Net book amount	Book value	Allowance for impairment	Net book amount
Properties under developed(a)	408,182,694.46	-	408,182,694.46	407,110,780.56	-	407,110,780.56
Properties in development(b)	176,361,556.55	-	176,361,556.55	235,827,158.99	-	235,827,158.99
Hold property for sale(c)	74,804,315.38	-	74,804,315.38	-	-	-
Toll tickets	2,843,991.28	-	2,843,991.28	4,729,835.35	-	4,729,835.35
Maintenance and repair parts	619,479.01	-	619,479.01	682,490.24	-	682,490.24
Low value consumables	301,484.83	-	301,484.83	362,991.22	-	362,991.22
Total	**663,113,521.51**	**-**	**663,113,521.51**	**648,713,256.36**	**-**	**648,713,256.36**

(a) Properties under developed were the lands held by the Group located in Longli County to be developed, among which the lands held by Guizhou Shenzhen Expressway Land Co, Ltd. (Guizhou Land) were parts of construction of Phase II to Phase V of “Interlaken Town Project”. For the rest of the lands, the Group had no explicit development plan.

(b) Properties in development

Name of Project	Started time	Estimated completion date	The Amount of Estimated investment	Ending balance on 31 December 2016	Opening Balance on 1 January 2016
Phase I Stage II of “Interlaken Town Project”	April 2016	May 2017	300,000,000.00	103,741,414.11	7,788,677.46
Public area	December 2015	-	-	72,620,142.44	-

(c) Phase I Stage I of “Interlaken Town Project” was completed with a total sales area of 38,768.63 square meters and 29,318.74 square meters had been delivered to buyers for the current year, and 9,449.89 square meters remained available for sale.

(2). Borrowing costs capitalization

During the period, the Group had capitalized borrowing costs, calculated with capitalizing rate of 5.65% (2015: 7.05%), amounting to RMB 3,286,595.30 (2015: RMB 4,110,240.49) on properties under development.

6. Current portion of non-current assets

Item	31 December 2016	31 December 2015
Receivables from Longli BT Project (Note V.11(1)(a))	103,789,895.59	86,023,947.55
Receivables due from the Shenzhen Government in relation to the compensation of the toll adjustment of Meiguan Expressway (Note V.11(1)(b))	20,379,244.25	53,058,322.11
Total	**124,169,139.84**	**139,082,269.66**

V. Notes to the consolidated financial statements (continued)

7. Financial assets at fair value through profit or loss

Item	31 December 2016	31 December 2015
Financial assets designated at fair value and whose changes are recorded in the current profits and losses	74,991,317.77	-
Including：derivative instruments investment	74,991,317.77	-
Total	**74,991,317.77**	**-**

The financial assets at fair value through profit or loss mainly comprise a forward foreign exchange contract. On 18 July 2016, the Group issued a 5-year long-term bonds whose face value was 300 million dollars. On 27 July 2016, the Company signed the USD 155 million and USD140 million foreign exchange swap business agreement with China Merchants Bank and CITIC Bank, which is respectively mature on 27 July 2017 and 31 July 2017. These contracts were recognized at fair value through profit or loss. For the year 2016, the financial instruments achieve fair value gains of RMB 74,991,317.77(Note V.41).

8. Other current assets

Item	31 December 2016	31 December 2015
Prepaid taxes	14,329,427.09	18,879,520.24
Financial product	550,000,000.00	-
Total	**564,329,427.09**	**18,879,520.24**

On 31 December 2016, financial products recognized as other current assets including Ping An Bank guaranteed financial products RMB 150 million, the national development bank guaranteed financial products RMB 100 million, Zhuhai Huarun bank guaranteed financial products RMB 100 million and Huaxing bank guaranteed financial products RMB 200 million. The duration of such financial products are less than half a year, and the group is taking rolling method on the investment.

9. Long-term prepayments

	31 December 2016	31 December 2015
Construction prepayments from the Outer Ring Company	181,368,018.86	-
Prepayments for resettlement	3,329,760.00	6,850,959.00
Total	**184,697,778.86**	**6,850,959.00**

At 31 December 2016, the Outer Ring Company had prepaid the construction funds for Baoan District and Longgang District of Outer Ring Expressway amounting to RMB 181,368,018.86, the prepayments will be settled according to the progress of the construction.

V. Notes to the consolidated financial statements (continued)

10. Financial assets available-for-sale

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

Item	31 December 2016			31 December 2015		
	Book value	Allowance for impairment	Net book amount	Book value	Allowance for impairment	Net book amount
Available-for-sale equity instrument:						
- Measured at cost	43,490,000.00	-	43,490,000.00	30,170,000.00	-	30,170,000.00
Total	**43,490,000.00**	**-**	**43,490,000.00**	**30,170,000.00**	**-**	**30,170,000.00**

(2). Financial assets available-for-sale measured at costs

Investee	Book value				Allowance for impairment				Share holding (%)	Cash dividends during the period
	Opening balance	Additional during the period	Deduction during the period	Closing balance	Opening balance	Additional during the period	Deduction during the period	Closing balance		
United Electronic Company	30,170,000.00	13,320,000.00	-	43,490,000.00	-	-	-	-	12.86%	-
Total	**30,170,000.00**	**13,320,000.00**	**-**	**43,490,000.00**	**-**	**-**	**-**	**-**	**12.86%**	**-**

On 26 March 2016, upon approval by the Board of Directors, the Company increased the investment to the United Electronic Company amounting to RMB 13.32 million. After the capital increase and share expansion, Shares hold by the Company dropped from 15% to 12.86%, so the Company's impact on the United Electronic Company doesn't significantly change. The intention of the Company holding the investment doesn't change significantly. Such unlisted equity share did not have a quoted market price in an active market, there is a very large range of variations in its reasonable fair value estimate, as well as the types of probability data, used for determining the fair value. The estimate cannot be made reasonably and, the fair value of the financial assets available-for-sale cannot be reliably measured, hence it is measured at cost.

V. Notes to the consolidated financial statements (continued)

11. Long-term receivables

(1). General information:

Item	31 December 2016			31 December 2015			Range of discount rate
	Book value	Bad debt provision	Net book amount	Book value	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)	103,789,895.59	-	103,789,895.59	142,714,976.24	-	142,714,976.24	9%
Due from the Shenzhen Government in relation to the Compensation resulted from the toll adjustment of Meiguan Expressway (b)	20,379,244.25	-	20,379,244.25	53,058,322.11	-	53,058,322.11	4.75%-6.15%
Compensation interest receivable due from Shenzhen Government related to toll adjustment of Yanba Expressway, Yanpai Expressway and Nanguang Expressway("Three Expressways")	12,019,232.87	-	12,019,232.87	12,019,232.87	-	12,019,232.87	-
Receivable on Billboard quality deposits	4,500,000.00	-	4,500,000.00	-	-	-	-
Sub-total	140,688,372.71	-	140,688,372.71	207,792,531.22	-	207,792,531.22	
Less: Current portion	124,169,139.84	-	124,169,139.84	139,082,269.66	-	139,082,269.66	
Total	**16,519,232.87**	**-**	**16,519,232.87**	**68,710,261.56**	**-**	**68,710,261.56**	

(a) The Longli BT project entrusted to Guishen Company was completed at the end of 2014 .As on 31 December 2016, accounts receivable due from Longli BT project amounted to RMB 103 million, is expected to be received all within one year. For the current period, RMB 9,064,158.35 (2015: RMB 19,902,485.12) is recognized as interest income based on effective interest method.

(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 made cash compensation to the Company. The balance represented the compensation receivables and related interest income from Shenzhen Municipal Government as of 31 December 2016, which is expected to be settled in 2017. For the year 2016, the Group reversed the interest income recognized for the period amounting to RMB 3,779,327.51(2015: RMB 72,740,084.21) due to adjustment to compensation consideration of reconstruction and extension of the roads according to the Adjustment Agreement.

V. Notes to the consolidated financial statements (continued)

12. Long-term equity investments

Investee	31 December 2015	Current period movement							31 December 2016	Share holding (%)	Impairment provided in the current period
		Current period Additions	Additional injection	Investment income/loss recognized under equity method	Cash dividend declared	Investment cost recovered	Provision for impairment	Others			
Joint ventures											
Changsha Shenchang Expressway Company Limited ('Shenchang Company') (1)	161,475,129.93	-	-	26,306,939.44	-	-21,622,027.23	-	-	166,160,042.14	51	-
Gansu Provincial Highway Aviation Tourism Consulting Limited ('Gansu Provincial Highway Aviation')(2)	4,103,978.37	-	-	-1,247,048.50		-	-2,856,929.87	-	-	-	-
Sub-total	165,579,108.30	-	-	25,059,890.94	-	21,622,027.23	-2,856,929.87	-	166,160,042.14		-
Associates											
Consulting Company(6)	-	43,747,176.00	-	957,122.83	-	-		-	44,704,298.83	24	-
Shenzhen Huayu expressway investment company ('Huayu Company')	47,964,606.61	-	-	4,780,563.94	-	-	-	-	52,745,170.55	40	-
Guangdong Jiangzhong Expressway Company Limited ('Jiangzhong Company')	298,919,348.04	-	-	16,671,997.92	-11,997,500.00	-	-	-	303,593,845.96	25	-
Nanjing Yangtze River Third Bridge Company Limited ('Nanjing Third Bridge Company')	297,424,178.00	-	-	36,217,363.86	-32,099,698.92	-	-	-	301,541,842.94	25	-
Guangdong Yangmao Expressway Company Limited ('Yangmao Company')	288,402,269.13	-	-	79,994,782.70	-76,721,157.01	-	-	-	291,675,894.82	25	-
Guangzhou Western Second Ring Expressway Company Limited ('GZ W2 Company')	239,036,185.76	-	-	34,133,136.47	-25,000,000.00	-	-	-	248,169,322.23	25	-
Yunfu Guangyun Expressway Company Limited ('Guangyun Company')	95,478,776.61	-	-	45,826,941.37	-45,826,941.37	-14,173,058.63	-	-	81,305,717.98	30	-
Guizhou Hengtongli Property Company Limited (Guizhou Hengtongli) (3)	-	42,265,929.51	-	-	-	-	-	-	42,265,929.51	49	-
Shenzhen International United Land Company Limited ('Unit Land Company') (4)	550,085,552.14	-	1,896,300,000.00	-881,762.90	-	-	-	-	2,445,503,789.24	49	-
Bank of Guizhou Co., LTD ("Bank of Guizhou") (5)	-	664,560,000.00	-	63,335,490.29	-	-	-	-2,279,838.32	725,615,651.97	4.41	-
Sub-total	1,817,310,916.29	750,573,105.51	1,896,300,000.00	281,035,636.48	-191,645,297.30	-14,173,058.63	-	-2,279,838.32	4,537,121,464.03		-
Total	**1,982,890,024.59**	**750,573,105.51**	**1,896,300,000.00**	**306,095,527.42**	**-191,645,297.30**	**-35,795,085.86**	**-2,856,929.87**	**-2,279,838.32**	**4,703,281,506.17**		**-**

V. Notes to the consolidated financial statements (continued)

12. Long-term equity investments (continued)

(1). Shenchang Company's registered and main operated locations are in China. According to the related joint venture contracts and articles of incorporation, the principal financial and operating decisions of Shenchang Company shall be made based on the common consent of both investment parties. As a result, Shenchang Company is deemed as the Company's joint venture and is accounted for using equity method.

(2). Gansu Public Airlines was the Consulting company's joint venture, the company lost control of Consulting company this year, Gansu Public Airlines is no longer as the Company's joint venture company accounting.

(3). On 24 June 2016, Guizhou Land Co., Ltd. completed the transfer of entire shareholding and creditor's rights of Guizhou Pengbo Investment Co., Ltd. (Guizhou Pengbo) and 51% equity of Guizhou Hengtongli. After disposal, Guizhou Land Co., Ltd still have significant financial and operation impact on it, so Guizhou Hengtongli is recognized as the Group's associates, and use equity method accounting for its profit.

(4). As at 20 June 2016, the Company has made capital contribution to United Land Company amounted to RMB 1.8963 billion. And the registered capital of United Land Company is amount to RMB 5 billion. Then the Company had no more investment commitment to United Land Company.

(5). On 23 December 2015 and on 21 March 2016, the Company respectively entered into an agreement with Bank of Guizhou Co., Ltd, pursuant to which the Company agreed to subscribe shares issued by Bank of Guizhou. The Phase I amount of subscription was RMB 595,920,000.00, the Phase II amount of subscription was RMB 68,640,000.00. The Company was expected to account for 4.92% of the total share capital for the Bank of Guizhou Company Limited after its increasing in capital and shares. In addition, upon the approval of shareholder's meeting of Bank of Guizhou, the Company take up one position in the Board of Directors of Bank of Guizhou, so the Company had significant influence on its operating and financial activities and use equity method to recognize the investment on the financial statement. At 28 December 2016, other 8 corporate shareholders made capital increase of RMB 1,039,700,000.00 to Bank of Guizhou, but Board of Director didn't change. As a result, the company's holding interest decreased from 4.92% to 4.41%, so the company reduced the book value of the capital surplus of Bank of Guizhou amounting to RMB 2,279,838.32.

(6). On 30 November 2016, the Consulting Company became a joint venture of the group and has been accounted for in the equity method, as noted in note VI.2 (c).

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

V. Notes to the consolidated financial statements (continued)

13. Fixed assets

(1). Fixed asset movement

Item	Buildings	Traffic equipment	Motor vehicles	Office and other equipment	Total
1. Cost					
31 December 2015	712,930,449.33	1,294,442,284.40	37,930,799.91	80,544,195.74	2,125,847,729.38
Current period additions	4,898,163.90	36,478,085.22	2,035,668.09	6,162,924.05	49,574,841.26
-Purchase	4,742,163.90	12,791,830.83	2,035,668.09	5,508,569.33	25,078,232.15
-Transfers from construction in progress	156,000.00	23,686,254.39	-	654,354.72	24,496,609.11
Current period reductions	876,509.00	-	11,085,555.88	41,515,442.12	53,477,507.00
-Other disposal	-	-	1,607,448.00	1,576,008.39	3,183,456.39
-Disposal subsidiary	876,509.00	-	9,478,107.88	39,939,433.73	50,294,050.61
31 December 2016	716,952,104.23	1,330,920,369.62	28,880,912.12	45,191,677.67	2,121,945,063.64
2. Accumulated depreciation					
31 December 2015	193,961,459.14	701,557,853.73	25,699,068.14	48,417,687.68	969,636,068.69
Current period additions	33,551,656.39	112,685,850.64	4,121,503.70	7,926,884.52	158,285,895.25
-Addition	33,551,656.39	112,685,850.64	4,121,503.70	7,926,884.52	158,285,895.25
Current period reductions	83,998.77	-	7,868,723.06	25,777,292.48	33,730,014.31
-Other reductions	-	-	1,477,703.20	1,501,803.30	2,979,506.50
-Disposal subsidiary	83,998.77	-	6,391,019.86	24,275,489.18	30,750,507.81
31 December 2016	227,429,116.76	814,243,704.37	21,951,848.78	30,567,279.72	1,094,191,949.63
3. Net book value					
31 December 2016	489,522,987.47	516,676,665.25	6,929,063.34	14,624,397.95	1,027,753,114.01
31 December 2015	518,968,990.19	592,884,430.67	12,231,731.77	32,126,508.06	1,156,211,660.69

(2). Fixed assets without certificates of ownership

Item	Book value	Reason for lacking certificates of ownership
Buildings	367,641,647.72	As all toll roads and the affiliated buildings and structures would be returned to the government when the approved operating periods expire, the Group has no intention to acquire the related property ownership certificates.

In 2016, depreciation expenses amounting to RMB 152,375,094.07 and RMB 5,910,801.18 had been charged into costs of services and general and administrative expenses respectively (2015: RMB 132,380,647.60 and RMB5,471,881.84).

V. Notes to the consolidated financial statements (continued)

14. Construction in progress

(1). General information of construction in progress

Item	31 December 2016			31 December 2015		
	Book value	Impairment	Net book amount	Book value	Impairment	Net book amount
Extension projects of Fumin Station of Airport-Heao Expressway (Eastern Section)	-	-	-	12,330,609.77	-	12,330,609.77
Nation-wide ETC toll interconnection project	2,142,889.98	-	2,142,889.98	2,804,935.98	-	2,804,935.98
Billboard and light box projects	393,471.69	-	393,471.69	559,000.00	-	559,000.00
Toll-by-weight projects	-	-	-	3,126,975.00	-	3,126,975.00
Others	11,039,136.14	-	11,039,136.14	10,634,565.67	-	10,634,565.67
Total	**13,575,497.81**	**-**	**13,575,497.81**	**29,456,086.42**	**-**	**29,456,086.42**

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

Item	Budget amount	31 December 2015	Current period additions	Transfer to fixed assets	Other reductions in Current period	Disposal of subsidiaries	31 December 2016	% contribution in budget of current period	Progress of construction	Interests capitalized	Source of funds
Extension projects of Fumin Station of Airport-Heao Expressway (Eastern Section)	20million	12,330,609.77	2,464,369.96	14,794,979.73	-	-	-	12.32	In progress		Self-owned funds
Toll-by-weight projects	22million	3,126,975.00	1,222,500.00	4,253,774.00	95,701.00	-	-	5.56	Completed		Self-owned funds
Nation-wide ETC toll interconnection project	53million	2,804,935.98	-	662,046.00	-	-	2,142,889.98	-	In progress		Self-owned funds
Billboard and light box projects	10million	559,000.00	779,826.41	810,354.72	135,000.00	-	393,471.69	7.80	In progress		Self-owned funds
Others	*	10,634,565.67	16,489,615.30	3,975,454.66	7,600,297.04	4,509,293.13	11,039,136.14	-	In progress		Self-owned funds
Total		**29,456,086.42**	**20,956,311.67**	**24,496,609.11**	**7,830,998.04**	**4,509,293.13**	**13,575,497.81**	**/**	**/**		

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

V. Notes to the consolidated financial statements (continued)

15. Intangible assets

(1). General information of intangible assets

Item	Concession intangible assets (a)	Office software	Billboard land use rights	Total
1.Cost				
31 December 2015	24,831,125,591.54	27,688,766.60	153,846,610.25	25,012,660,968.39
Current period additions	126,993,177.37	1,799,404.24	-	128,792,581.61
- Purchased	-	1,799,404.24	-	1,799,404.24
- Other additions	126,993,177.37	-	-	126,993,177.37
Current period reductions	-	13,936,293.17	93,892,769.37	107,829,062.54
-Disposal subsidiary	-	13,935,555.27	-	13,935,555.27
- Other	-	737.90	93,892,769.37	93,893,507.27
31 December 2016	24,958,118,768.91	15,551,877.67	59,953,840.88	25,033,624,487.46
2.Accumulated amortization				
31 December 2015	4,989,822,563.90	6,983,461.64	124,079,168.84	5,120,885,194.38
Current period additions	1,049,712,780.05	5,163,420.28	11,578,597.64	1,066,454,797.97
- Additions	1,049,712,780.05	5,163,420.28	11,578,597.64	1,066,454,797.97
Current period reductions	-	3,705,424.16	93,861,524.07	97,566,948.23
-Disposal subsidiary	-	3,705,424.16	-	3,705,424.16
- Other	-	-	93,861,524.07	93,861,524.07
31 December 2016	6,039,535,343.95	8,441,457.76	41,796,242.41	6,089,773,044.12
3.Impairment				
31 December 2015	620,000,000.00	-	-	620,000,000.00
31 December 2016	620,000,000.00	-	-	620,000,000.00
4.Net book value				
31 December 2016	18,298,583,424.96	7,110,419.91	18,157,598.47	18,323,851,443.34
31 December 2015	19,221,303,027.64	20,705,304.96	29,767,441.41	19,271,775,774.01

V. Notes to the consolidated financial statements (continued)

15. Intangible assets (continued)

(1). General information of intangible assets (continued)

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

	Cost	31 December 2015	Current period additions	Current period amortization	31 December 2016	Accumulated amortization	Impairment
Qinglian Expressway (b)	9,280,989,698.71	7,417,405,717.33	-	204,867,563.16	7,212,538,154.17	1,448,451,544.54	620,000,000.00
Nanguang Expressway	2,806,658,377.38	2,417,600,561.86	3,526,553.77	84,955,106.81	2,336,172,008.82	470,486,368.56	-
Shenzhen Airport-Heao Expressway -Eastern Section	3,092,170,511.84	1,962,847,346.57	-	183,567,940.31	1,779,279,406.26	1,312,891,105.58	-
Shuiguan Expressway	4,448,811,774.58	4,394,590,612.30	-	313,578,353.39	4,081,012,258.91	367,799,515.67	-
Yanba Expressway	1,255,337,192.11	955,623,462.74	-	51,368,205.14	904,255,257.60	351,081,934.51	-
Wuhuang Expressway	1,523,192,561.64	689,087,255.88	-	95,380,230.92	593,707,024.96	929,485,536.68	-
Meiguan Expressway	614,047,345.55	374,432,982.97	999,795.48	35,677,008.37	339,755,770.08	274,291,575.47	-
Yanpai Expressway	910,532,308.18	570,311,423.45	-	39,604,986.46	530,706,436.99	379,825,871.19	-
Shenzhen Airport-Heao Expressway -Western Section	843,517,682.25	379,009,175.99	-	40,713,385.49	338,295,790.50	505,221,891.75	-
Outer Ring Expressway	182,861,316.67	60,394,488.55	122,466,828.12	-	182,861,316.67	-	-
Total of Concession intangible assets	**24,958,118,768.91**	**19,221,303,027.64**	**126,993,177.37**	**1,049,712,780.05**	**18,298,583,424.96**	**6,039,535,343.95**	**620,000,000.00**

(b) The pledge information relating to the concession intangible assets of Qinglian Expressway is set out in Note V.26(1)(b).

(c) In 2016, the amount of amortization of intangible assets is RMB1,066,454,797.97(2015: RMB 757,967,793.92), which was the same as that charged to current period's income statement.

(d) During the period, the Group had capitalized RMB 435,741.47 (2015: Nil) borrowing cost in intangible assets, and the capitalization rate used in calculating the capitalized borrowing cost is 4.36%(2015: Nil).

V. Notes to the consolidated financial statements (continued)

16. Deferred tax assets and deferred tax liabilities

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

Item	31 December 2016		31 December 2015	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provisions for maintenance and resurfacing of the toll roads (a)	151,909,757.93	38,083,478.80	192,283,479.98	48,070,870.04
Compensation provided by concession grantors (b)	76,978,938.56	19,244,734.64	81,305,822.20	20,326,455.55
Deductible losses (c)	233,903,147.40	58,475,786.85	282,214,932.56	70,553,733.14
Operating compensation of newly built tolls of Meiguan Expressway (d)	134,074,025.09	33,518,506.27	147,210,600.81	36,802,650.20
Difference between estimated cost of extension of Meiguan Expressway allocated to Toll Free Section with its preliminary compensation (e)	54,949,460.88	13,737,365.22	28,189,460.88	7,047,365.22
Payroll accrued but not paid	6,554,327.00	1,638,581.75	10,758,383.00	2,689,595.75
Other	3,968,474.72	992,118.68	4,661,533.52	1,165,383.38
Total	**662,338,131.58**	**165,690,572.21**	**746,624,212.95**	**186,656,053.28**
Including:				
Expected to be utilized within 1 year (including 1 year)		36,482,464.15		34,028,489.49
Expected to be utilized over 1 year		129,208,108.06		152,627,563.79
Total		**165,690,572.21**		**186,656,053.28**

(a) The deferred tax asset was recognized based on temporary difference between the tax base and book value of provisions for maintenance/resurfacing obligations of toll roads.

(b) The deferred tax asset was recognized based on temporary difference between the tax base and book value of compensation provided by concession grantors in prior years.

(c) The Group forecasted the operating revenue and profit of Guangdong Qinglian Road Development Co, Ltd. (Qinglian Company), and based on which the Group estimated that Qinglian Company could generate profit against which the deductible losses incurred in prior years can be recovered in the future. Accordingly, a deferred tax asset on deductible losses was recognized.

(d) In 2015, the Group received compensation from the Shenzhen government to cover the operating cost of new toll station constructed for adjustment arrangement of Meiguan Expressway, and recognized the differences between the tax bases and book value as deferred income tax assets.

(e) The Group recognized a deferred tax asset on the basis of the difference between actual costs of reconstruction and extension incurred to Toll Free Section and its preliminary compensation according to Toll Adjustment Agreement of Meiguan Expressway.

V. Notes to the consolidated financial statements (continued)

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

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

Item	31 December 2016		31 December 2015	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
The amortization of concession intangible assets (a)	154,883,671.40	38,720,917.85	167,696,493.92	41,924,123.48
Business combinations involving enterprises not under common control (b)				
- Qinglian Company	670,393,610.23	164,293,595.65	689,435,714.73	169,054,121.78
- Shenzhen Airport-Heao Expressway (Eastern Section)	1,245,608,189.65	311,402,049.41	1,374,117,364.92	343,529,343.23
- Qinglong Company	2,804,765,901.80	701,191,475.45	3,024,112,334.55	756,028,083.64
- JEL Company	453,112,488.94	113,142,288.70	523,960,267.86	130,854,233.43
- Meiguan Company	25,562,026.78	4,370,166.01	28,246,239.17	5,041,219.11
- Consulting Company	-	-	15,202,927.17	2,280,439.08
Interest income from the Compensation resulted from the toll adjustment of Meiguan Expressway	-	-	558,279.66	139,569.90
Foreign exchange swap (c)	74,991,317.77	18,747,829.44	-	-
Total	**5,429,317,206.57**	**1,351,868,322.51**	**5,823,329,621.98**	**1,448,851,133.65**
Including:				
Expected to be utilized within 1 year (including 1 year)		132,058,461.03		111,441,358.28
Expected to be utilized over 1 year		1,219,809,861.48		1,337,409,775.37
Total		**1,351,868,322.51**		**1,448,851,133.65**

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

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

(c) On 18 July 2016, the Group issued a 5-year long-term bond whose face value is 300 million dollars. On 27 July 2016, the company signed 155 million dollars and 140 million dollars currency swap agreements respectively with China Merchants Bank and China CITIC Bank and decided to recognize them as financial instruments on accounting. For the year 2016, the financial instruments have achieved fair value gains of RMB 74,991,317.77, the corresponding deferred income tax liabilities amounting to RMB18,747,829.44 is recognized.

V. Notes to the consolidated financial statements (continued)

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

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

Item	Deferred tax assets and liabilities offset as at 31 December 2016	Net values of deferred tax assets/liabilities as at 31 December 2016	Deferred tax assets and liabilities offset as at 31 December 2015	Net values of deferred tax assets/liabilities as at 31 December 2015
Deferred tax	-112,548,468.31	53,142,103.90	-109,038,541.33	77,617,511.95
Deferred tax	112,548,468.31	1,239,319,854.20	109,038,541.33	1,339,812,592.32

(4). Deductible losses that were not recognized as deferred tax assets are analyzed as follows:

Item	31 December 2016	31 December 2015
Deductible losses	256,109,046.62	258,256,269.70
Total	**256,109,046.62**	**258,256,269.70**

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

Year	31 December 2016	31 December 2015
Year 2017	88,750,103.43	88,750,103.43
Year 2018	146,242,571.78	146,425,448.01
Year 2019	878,206.68	6,217,971.96
Year 2020	981,082.14	16,862,746.30
Year 2021	19,257,082.59	-
Total	**256,109,046.62**	**258,256,269.70**

17. Other non-current assets

Item	31 December 2016	31 December 2015
Share subscription fee	-	595,920,000.00
Total	**-**	**595,920,000.00**

The Company made an investment of RMB 595,920,000.00 for proposed subscription of 382 million shares issued by Bank of Guizhou Company Limited. As up to 31 December 2015, related equity alteration procedures were not completed, so the balance was recorded as other non-current assets temporarily. On 17 June 2016, the non-current asset has been transferred to long-term equity investment, please refer to Note V.12 for more details.

V. Notes to the consolidated financial statements (continued)

18. Provision for impairment of assets

2016

Item	31 December 2015	Additions	Reductions	31 December 2016
Provision for impairment of concession intangible asset	620,000,000.00	-	-	620,000,000.00
Total	**620,000,000.00**	**-**	**-**	**620,000,000.00**

2015

Item	31 December 2014	Additions	Reductions	31 December 2015
Provision for impairment of concession intangible asset	-	620,000,000.00	-	620,000,000.00
Total	**-**	**620,000,000.00**	**-**	**620,000,000.00**

19. Accounts payable

(1). Analysis of accounts payable

Item	31 December 2016	31 December 2015
Payables for construction projects and quality deposits	203,791,383.02	169,985,515.87
Others	15,766,652.60	12,038,443.28
Total	**219,558,035.62**	**182,023,959.15**

(2). The significant accounts payable with aging over 1 year:

Item	31 December 2016	Reason for unsettlement
Shenzhen Municipal Engineering Corporation	49,003,110.00	Project settlement has not completed.
Zhejiang Bayong Highway Project Company Limited	12,418,636.00	Project settlement has not completed.
Qingyuan Land Resource Bureau	5,882,280.00	Project settlement has not completed.
Jiangxi Tongwei Highway Construction Project Group Company Limited	3,507,602.57	Project settlement has not completed.
China Railway 18th Bureau Group Co., Ltd.	3,292,564.00	Project settlement has not completed.
Total	**74,104,192.57**	**/**

V. Notes to the consolidated financial statements (continued)

20. Advances from customers

(1). General information of advances from customers

Item	31 December 2016	31 December 2015
Advances from sales of properties developed	167,578,202.00	148,038,128.10
Advances from agent-construction fee of Coastal Project Phase II	33,207,547.17	-
Advances from agent-construction fee of Outer Ring Project	13,971,964.09	-
Advances from advertising customers	11,584,919.03	13,318,867.21
Advances from construction consulting service	-	69,397,903.14
Others	1,287,123.64	2,092,937.37
Total	**227,629,755.93**	**232,847,835.82**

As at 31 December 2016, account collected in advances from customers over 1 year is RMB 22,332,858.81 (31 December 2015: RMB 19,725,690.37) mainly comprised the advances from customers from Interlaken Town Project of Guishen Company. The balance of the advances from customers of sales of properties developed of Phase I Stage II, which is expected to be completed in May 2017, is RMB 135,145,405.00, and the presale proportion of the properties developed is 61%.

V. Notes to the consolidated financial statements (continued)

21. Employee benefits payable

(1). Analysis of employee benefits payable

Item	31 December 2015	Additions	Reductions	31 December 2016
I. Short-term wages	153,837,190.98	509,681,742.64	554,876,755.02	108,642,178.60
II.Pension benefits – defined contribution plans	218,926.85	38,360,370.69	38,383,687.66	195,609.88
Total	**154,056,117.83**	**548,042,113.33**	**593,260,442.68**	**108,837,788.48**

(2). Analysis of short-term wages

Item	31 December 2015	Additions	Reductions	31 December 2016
I. Wages and salaries, bonuses, allowances and subsidies	149,452,412.87	431,109,825.83	476,726,579.41	103,835,659.29
II. Staff welfare	-	32,291,119.35	32,291,119.35	-
III. Social security contributions	65,725.53	15,639,082.74	15,658,969.65	45,838.62
Including: Medical insurance	55,209.63	13,136,873.05	13,153,578.11	38,504.57
Work injury insurance	3,440.92	818,750.27	819,791.41	2,399.78
Maternity insurance	7,074.98	1,683,459.42	1,685,600.13	4,934.27
IV. Housing funds	6,437.41	20,453,850.31	20,460,287.72	-
V. Labor union funds and employee education	3,615,207.91	9,434,617.40	9,013,302.61	4,036,522.70
VI. Others	697,407.26	753,247.01	726,496.28	724,157.99
Total	**153,837,190.98**	**509,681,742.64**	**554,876,755.02**	**108,642,178.60**

(3). Analysis of defined contribution plans

Item	31 December 2015	Additions	Reductions	31 December 2016
I. Basic pensions	119,830.98	28,513,220.66	28,549,478.53	83,573.11
II.Unemployment insurance	2,484.87	591,264.30	592,016.16	1,733.01
III. Enterprise annuities	96,611.00	9,255,885.73	9,242,192.97	110,303.76
Total	**218,926.85**	**38,360,370.69**	**38,383,687.66**	**195,609.88**

V. Notes to the consolidated financial statements (continued)

22. Taxes payable

Item	31 December 2016	31 December 2015
Corporate income tax payable	119,478,565.68	230,045,738.13
VAT payable	28,791,052.28	1,514,128.09
City maintenance and construction tax payable	1,956,555.02	1,501,233.94
Educational surcharge payable	913,933.73	684,403.02
Business tax payable	-	19,519,486.82
Others	5,052,107.63	4,779,944.34
Total	**156,192,214.34**	**258,044,934.34**

23. Interest payable

Item	31 December 2016	31 December 2015
Interest of medium-term notes	52,227,279.28	52,224,448.99
Interest of corporate bonds	45,423,765.19	57,292,164.11
Interest of long-term borrowings with interest payable in installment and principal payable upon maturity	2,537,278.74	9,273,822.41
Total	**100,188,323.21**	**118,790,435.51**

V. Notes to the consolidated financial statements (continued)

24. Other payables

(1). Analysis of other payables by nature

Item	31 December 2016	31 December 2015
Project funds retained for construction management contracts (a)	1,420,258,174.78	241,385,764.83
Acquisition of minority interests of JEL company(b)	333,498,800.00	-
Payable related to costs of entrusted construction management services	152,775,168.12	157,775,168.12
Payable related to roads maintenance	148,337,388.98	85,313,040.99
Payable of tender and performance deposit and warranty	86,753,369.95	61,640,011.19
Payables due to associates	74,276,376.43	74,276,376.43
Advance project expenditure and administrative special expenses	48,614,719.39	37,206,599.48
Equity deposit payable to Guizhou Wanjin Co., Ltd	29,968,000.00	-
Payables of acquisition of Fameluxe Investment	26,000,000.00	46,000,000.00
Borrowing from CCCC Second Highway Engineering Co., Ltd.	20,000,000.00	-
Payable of Longli BT project funds	15,015,088.43	27,883,037.20
Mechanical and electrical costs payable	11,204,391.89	19,685,903.22
Subscription funds and down deposits received for real estate saless	1,190,000.00	3,997,000.00
Compensation received related to Toll Adjustment of Three Expressways	-	548,920,000.00
Others	19,233,329.63	20,971,095.85
Total	**2,387,124,807.60**	**1,325,053,997.31**

(a) The Company was entrusted by the Shenzhen Government for management of the construction of highway projects. The projects are funded by the Shenzhen Government. The Company follows the arrangement of the entrusted contract to pay for the construction. According to the entrusted contract, the Company has to set a special deposit accounts to settle the payment. As at 31 December 2016, project funds retained in the special deposit accounts is amounting to RMB1,420,258,174.78 (31 December 2015: RMB241,385,764.83) were classified as deposit in special account of entrusted construction management and disclosed as restricted bank balance in the cash flow statements.

(b) On 2 December 2016, Mei Wah Company entered into an equity transfer agreement with Shenzhen International's wholly-owned subsidiary, Flywheel Investments Limited. (Flywheel Investments). Pursuant to the Equity Transfer Agreement, Flywheel Investment transferred 45% interest of JEL Company it owned to Mei Wah Company at a transfer price of RMB 453,498,800.00. On 5 December 2016, the Group had paid the first RMB120 million and the remaining consideration of RMB 333,498,800.00 was accrued at the one-year benchmark interest rate.

V. Notes to the consolidated financial statements (continued)

24. Other payables (continued)

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

Item	31 December 2016	Reason for unsettlement
Guangzhou West Second Ring Expressway Co., Ltd.	40,750,000.00	Dividend distribution not assigned
Nanjing Third Bridge Company	33,526,376.43	Dividend distribution not assigned
Hetai Investment Company Limited	26,000,000.00	Contract settlement is not completed
Shandong Provincial Highway and Bridge Group Co., Ltd.	19,535,239.86	Contract settlement is not completed
CCCC Second Highway Engineering Co., Ltd.	11,098,957.00	Contract settlement is not completed
Total	**130,910,573.29**	**/**

25. Current portion of non-current liabilities

Item	31 December 2016	31 December 2015
Non-current bonds due within one year(Notes V.27(1))	999,325,267.24	1,499,997,000.00
Compensations related to the toll adjustment of Three Expressways due within one year(Notes V.30)	459,050,000.00	-
Current portion of non-current borrowings (Notes V.26(1)(b))	99,200,000.00	269,200,000.00
Including: Pledged	99,200,000.00	269,200,000.00
Current portion of provisions (Notes V.28)	24,435,584.90	67,043,879.39
Total	**1,582,010,852.14**	**1,836,240,879.39**

26. Long-term borrowings

(1). Analysis of long-term borrowings

Item	31 December 2016	31 December 2015
Pledged	1,783,024,000.00	2,201,928,764.00
Total	**1,783,024,000.00**	**2,201,928,764.00**

(a) On 31 December 2016, the Group’s borrowings were repayable as follows :

Item	31 December 2016	31 December 2015
1 to 2 years	49,600,000.00	278,320,000.00
2 to 5 years	745,040,000.00	418,524,764.00
Over 5 years	988,384,000.00	1,505,084,000.00
Total	**1,783,024,000.00**	**2,201,928,764.00**

V. Notes to the consolidated financial statements (continued)

26. Long-term borrowings

(b) As at 31 December 2016, details of long-term pledged borrowings are set out as follows:

Item	Interest rate	Currency	Amount	Pledge details
Syndicated borrowings	5.085%/5.65%	RMB	1,882,224,000.00	Operating rights of Qinglin Expressway
Less: Current portion			99,200,000.00	
Total			**1,783,024,000.00**	

27. Bonds payable

(1). Bonds payable

Item	31 December 2016	31 December 2015
Corporate bonds	2,845,177,819.25	2,295,598,321.67
Medium-term notes	1,897,011,387.89	1,894,728,466.81
Sub-total	4,742,189,207.14	4,190,326,788.48
Less: Current portion of long-term bonds	999,325,267.24	1,499,997,000.00
Total	**3,742,863,939.90**	**2,690,329,788.48**

(2). Movement of bonds payable

Name	Par value	Date of issuance	Maturity	Issued amount	Balance at 31 December 2015	Current period issued	Accrual of interest by Par Value	Amortization	Exchange loss	Current period repaid	31 December 2016
Corporate bonds (a)	800,000,000.00	31 July 2007	15 years	800,000,000.00	795,601,321.67	-	44,800,000.00	668,153.64	-	-	796,269,475.31
Corporate bonds (a)	1,500,000,000.00	2 August 2011	5 years	1,500,000,000.00	1,499,997,000.00	-	51,040,990.89	-	-	1,499,997,000.00	-
Corporate bonds (a)	1,995,330,000.00	18 July 2016	5 years	1,995,330,000.00	-	1,965,548,041.47	26,264,586.44	3,242,464.74	80,117,837.73	-	2,048,908,343.94
Medium-term notes (b)	1,000,000,000.00	7 May 2014	3 years	1,000,000,000.00	997,337,571.00	-	55,052,750.04	1,987,696.24	-	-	999,325,267.24
Medium-term notes (b)	900,000,000.00	14 August 2015	3 years	900,000,000.00	897,390,895.81	-	37,374,277.56	295,224.84	-	-	897,686,120.65
Total	**/**	**/**	**/**	**6,195,330,000.00**	**4,190,326,788.48**	**1,965,548,041.47**	**214,532,604.93**	**6,193,539.46**	**80,117,837.73**	**1,499,997,000.00**	**4,742,189,207.14**

V. Notes to the consolidated financial statements (continued)

27. Bonds payable (continued)

(2). Movement of bonds payable(continued)

(a) Corporate bonds

The Company issued long-term corporate bonds with principal amount of RMB 800,000,000.00 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 RMB 1,500,000,000.00 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 amount of RMB 3,000.00 was sold back according to the declaration result in July 2014. On 27 July 2016, the Company had repaid the remaining principal amounting to RMB 1,499,997,000.00 and the interest for the last period.

The Company held a shareholder's meeting on 19 May 2016 to consider and approve the issuance of debt financing instruments, and endowed the Board of Directors with the general license for issuance. On 18 July 2016, the Group issued a long-term bonds with principal value of 300 million dollars, bond issuance price is 99.46% of the principal value, bearing a term of 5 years and interest of 2.875% per annum. Interest began to be accrued from 18 July 2016 and is repaid semi-annually. On 17 July 2021, the bond should be fully repaid upon maturity. The main use of the bond is to repay the bank loans and supplement the Group's operating capital.

(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 RMB 1,000,000,000.00, 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 RMB 1,500,000,000.00. 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 RMB 900,000,000.00, 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.

28. Provisions

Item	31 December 2016	31 December 2015
Provisions for maintenance/ resurfacing obligations	151,909,757.93	192,283,480.10
Less: Current portion	24,435,584.90	67,043,879.39
Total	**127,474,173.03**	**125,239,600.71**

V. Notes to the consolidated financial statements (continued)

29. Deferred income

Item	31 December 2015	Current year addition	Current year reductions	31 December 2016	Explanation
Non-current liabilities					
- Compensation to operating costs for Toll Free Section of Meiguan Expressway	147,210,600.81	-	13,136,575.72	134,074,025.09	Compensation to the operating costs for Toll Free Section of Meiguan Expressway before transferred provided by Shenzhen Government.
-Government compensation of demolition	27,469,888.87	-	2,746,988.89	24,722,899.98	Government compensation of demolition of Qinglong Company.
Sub-total	174,680,489.68	-	15,883,564.61	158,796,925.07	
Current liabilities					
- Return of deed taxes	3,464,972.66	-	818,694.60	2,646,278.06	Return of deed taxes provided from Guizhou Longli County Government to Guishen Company.
Sub-total	3,464,972.66	-	818,694.60	2,646,278.06	
Total	**178,145,462.34**	**-**	**16,702,259.21**	**161,443,203.13**	

Government grants items:

Item	31 December 2015	Additional grants in current period	Recognized in non-operating income in current period	Other changes	31 December 2016	Related to assets/revenue
Return of deed taxes	3,464,972.66	-	818,694.60	-	2,646,278.06	In related to assets
Compensation of demolition	27,469,888.87		2,746,988.89	-	24,722,899.98	In related to assets
Total	**30,934,861.53**	**-**	**3,565,683.49**	**-**	**27,369,178.04**	**/**

30. Other non-current liabilities

Item	31 December 2016	31 December 2015
Compensations related to the toll adjustment of Three Expressways		
Acquisition of Compensations related to the toll adjustment of Three Expressways(a)	6,588,000,000.00	6,588,000,000.00
Including: unrecognized finance fee	904,210,000.00	904,210,000.00
Add: the cumulative recognition of financial expense	337,302,400.00	26,230,000.00
Less: the cumulative deduction of toll income containing tax	628,430,000.00	-
Balances of compensations related to the toll adjustment of Three Expressways	6,296,872,400.00	6,614,230,000.00
Including: unrecognized finance fee	566,907,600.00	877,980,000.00
Less: current portion of compensations related to the toll adjustment of Three Expressways/Balances reclassified to other payables	459,050,000.00	548,920,000.00
Subtotal	5,837,822,400.00	6,065,310,000.00
Compensations related to the toll adjustment of Meiguan Expressway		
Long-term tax and fee of compensations related to the toll adjustment of Meiguan Expressway	-	1,750,199.11
Less: current portion of long-term tax and fee of compensations related to the toll adjustment of Meiguan Expressway	-	-
Subtotal	-	1,750,199.11
Total	**5,837,822,400.00**	**6,067,060,199.11**

V. Notes to the consolidated financial statements (continued)

30. 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 and the Group will have correspondent compensation, so the Company will lose the fee entitlement of the Three Expressways and not be responsible for managing and maintaining the expressways any more. Pursuant to the Three Expressways Adjustment Agreement, the Company agreed to make the Three Expressways free of charge from 7 February 2016 in two phases in exchange for the cash compensation based on adjustment arrangement imposed by Shenzhen Transportation Bureau. The agreement has been approved by the Company's shareholders' meeting on 29 January 2016. As at 31 December 2016, the Company had received the first cash compensation amounting to RMB6,588,000,000.00 that includes unrecognized finance fees, part of which was transferred into financial expense for this period amounting to RMB 311,072,400.00(2015: RMB 26,230,000.00).

31. Share capital

Year 2016	31 December 2015	Movement					31 December 2016
		New shares issued	Right issue	Transfer from surplus	Others	Sub-total	
Total share capital	2,180,770,326.00	-	-	-	-	-	2,180,770,326.00

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

V. Notes to the consolidated financial statements (continued)

32. Capital surplus

Year 2016	31 December 2015	Current period additions	Current period reductions	31 December 2016
Share premium	2,274,351,523.42	-	-	2,274,351,523.42
Acquisition of minority interests(a)	-	-	120,924,166.49	120,924,166.49
Others(b)	-	-	2,279,838.32	2,279,838.32
Total	**2,274,351,523.42**	**-**	**123,204,004.81**	**2,151,147,518.61**

Year 2015	31 December 2014	Current period additions	Current period reductions	31 December 2015
Share premium	2,274,351,523.42	-	-	2,274,351,523.42
Total	**2,274,351,523.42**	**-**	**-**	**2,274,351,523.42**

(a) As disclosed in Note V.24, as at 2 December 2016 the Company's wholly-owned subsidiaries Mei Wah Company purchase 45% interest of JEL Company owned by Flywheel Investment, Shenzhen International's wholly-owned subsidiary at a price of RMB 453,498,800.00. After the acquisition, Mei Wah Company held 100% interest of JEL Company, resulting in decrease of capital surplus amounting to RMB 120,924,166.49 and minority interests amounting to RMB 332,574,633.51.

(b) Other capital reserve reduce RMB 2,279,838.32, please refer to Note V.12(5).

33. Other comprehensive income

Year 2016	31 December 2015	Amount incurred in current period		31 December 2016
		amount incurred in current period before tax	Post-tax amount attributable to owners of the Company	
Item that may be reclassified subsequently to profit and loss:	893,605,520.32	895,670.98	895,670.98	894,501,191.30
Including: 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	67,121.58	895,670.98	895,670.98	962,792.56
Total of other comprehensive income	**893,605,520.32**	**895,670.98**	**895,670.98**	**894,501,191.30**

Year 2015	31 December 2014	Amount incurred in current period		31 December 2015
		amount incurred in current period before tax	Post-tax amount attributable to owners of the Company	
Item that may be reclassified subsequently to profit and loss:	893,604,159.01	1,361.31	1,361.31	893,605,520.32
Including: Appreciation of initial equity interest upon business combination	893,132,218.74	-	-	893,132,218.74
Equity investment reserve	406,180.00	-	-	406,180.00
Others	65,760.27	1,361.31	1,361.31	67,121.58
Total of other comprehensive income	**893,604,159.01**	**1,361.31**	**1,361.31**	**893,605,520.32**

V. Notes to the consolidated financial statements (continued)

34. Surplus reserve

Year 2016	31 December 2015	Current year additions	Current period reductions	31 December 2016
Statutory surplus reserve	1,462,492,638.06	115,324,464.69	-	1,577,817,102.75
Discretionary surplus reserve	453,391,330.06	-	-	453,391,330.06
Total	**1,915,883,968.12**	**115,324,464.69**	**-**	**2,031,208,432.81**

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	-	1,462,492,638.06
Discretionary surplus reserve	453,391,330.06	-	-	453,391,330.06
Total	**1,884,591,029.74**	**31,292,938.38**	**-**	**1,915,883,968.12**

In accordance with Company Law of the Peoples Republic of China, 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 RMB115,324,464.69 for the year 2016 (2015: RMB31,292,938.38) 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 2016 (2015: Nil).

35. Undistributed profits

Item	31 December 2016	31 December 2015
Undistributed profits at the beginning of the year	5,104,281,635.31	4,564,264,823.15
Add: Net profit attributable to equity holders of the Company for the year	1,169,353,230.77	1,552,656,397.24
Less: Appropriation for statutory surplus reserve	115,324,464.69	31,292,938.38
Dividends	741,461,910.84	981,346,646.70
Undistributed profits at the end of the year	**5,416,848,490.55**	**5,104,281,635.31**

According to the resolution passed in the Annual General Meeting held on 19 May 2016, the Company proposed a cash dividend to all shareholders amounting to RMB 741,461,910.84, which was calculated by reference to 2,180,770,326 shares issued and a dividend of RMB 0.34 per share. The dividend represents 47.75% of the company's net profit for the year 2015. As at 31 December 2016, the dividend had been paid in full.

In accordance with the resolution passed in the Board on 17 March 2017, the Directors of Board proposed a cash dividend to all shareholders amounting to RMB 479,769,471.72, which was calculated by reference to the 2,180,770,326 shares issued and a dividend of RMB 0.22 per share. The proposed final dividend resolution is subject to be approved in the shareholders’ meeting (Note XII.2). The proposed cash dividend represents 41% of the net profit for the year ended 31 December 2016.

V. Notes to the consolidated financial statements (continued)

36. Revenue and cost of services

Item	2016		2015	
	Revenue	Cost	Revenue	Cost
Main business – toll road	3,679,988,086.44	1,863,000,759.27	3,014,057,419.87	1,419,449,529.10
Other services –				
Construction consulting service	333,917,584.13	278,150,139.08	191,395,731.53	143,283,969.75
Real estate development	253,685,024.38	213,008,459.05	-	-
Management services revenue	121,416,600.09	92,649,162.96	94,616,571.10	39,480,267.24
Advertising services revenue	109,682,513.35	61,490,496.75	94,413,581.70	50,528,959.99
Others	33,519,348.15	24,632,298.96	26,095,030.99	26,004,883.37
Sub-total of other services	852,221,070.10	669,930,556.80	406,520,915.32	259,298,080.35
Total	**4,532,209,156.54**	**2,532,931,316.07**	**3,420,578,335.19**	**1,678,747,609.45**

On 8 September 2016, Phase I Stage I of Interlaken Town Project was completed and passed the acceptance. For the current year, area of 29,318.74 square meters were sold and delivered, and the thus properties sales income was recognized amounting to RMB 253,685,024.38 (2015: Nil).

37. Business tax and surcharges

Item	2016	2015
Business tax	38,845,008.12	106,070,204.24
City maintenance and construction tax	11,283,732.83	8,054,725.06
Educational surcharge	8,208,247.26	5,777,607.37
Construction fee for country culture development	2,678,576.64	2,169,767.73
Property tax	3,979,809.14	-
Others	1,289,796.25	569,328.15
Total	**66,285,170.24**	**122,641,632.55**

38. General and administrative expenses

Item	2016	2015
Salary and wages	74,862,173.32	74,256,089.00
Lawyers and consulting fees	13,242,035.80	16,160,362.11
Depreciation and amortization	6,261,927.95	7,114,211.41
Rental fees	8,624,391.27	5,039,501.93
Stock exchange fees	5,532,719.30	3,263,044.91
Audit fees	4,098,249.27	5,035,100.00
Office and communication charges	3,556,757.53	3,333,581.66
Office building management fees	2,498,988.06	2,815,388.41
Others	19,857,495.11	16,994,529.96
Total	**138,534,737.61**	**134,011,809.39**

V. Notes to the consolidated financial statements (continued)

38. General and administrative expenses(continued)

Expenses by nature:

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

Item	2016	2015
Depreciation and amortization	1,231,072,539.96	898,886,848.42
Salary and wages	537,111,241.93	415,754,734.65
Real estate development costs	213,008,459.05	-
Costs of construction consulting service	160,626,124.22	85,387,288.12
Road maintenance expenses	151,357,976.16	103,076,398.16
Entrusted management expenses for Wuhuang Expressway	88,559,532.08	83,726,461.39
Costs of construction management services	63,319,390.61	18,278,071.86
Material, water and electrical costs	51,527,841.54	42,919,636.11
Mechanical and electrical costs	29,289,034.99	36,293,752.15
Costs of agencies	19,838,241.48	23,345,329.62
Integrated tolls settlement service expenses	16,385,481.26	16,165,970.05
Promotion and marketing expense	11,302,397.93	10,807,345.20
Other expenses	116,705,213.81	92,219,517.38
Total	**2,690,103,475.02**	**1,826,861,353.11**

39. Financial expenses

Item	2016	2015
Interest expenses	628,603,309.89	485,089,447.34
Including: Interest expenses from borrowings	100,091,360.80	207,341,033.48
Interest expenses from bonds payable	220,726,144.39	255,628,654.35
Other financing expense (a)	311,072,400.00	26,230,000.00
Interest capitalization	-3,286,595.30	-4,110,240.49
Time value of provision for maintenance/resurfacing	-	4,194,569.00
Exchange losses - net(b)	87,518,024.13	5,220,376.26
Less: interest income	78,826,290.07	124,480,035.92
Others	2,147,691.31	675,235.11
Total	**639,442,735.26**	**370,699,591.79**

(a) Other financing expense was resulted from the amortization of unrecognized finance fee arising from the cash compensation amounting to RMB 6,588,000,000.00 in related to toll adjustment of “Three Expressways”. The amount of unrecognized finance fee was RMB 904 million in total, which would be amortized into financial expense from December 2015 to December 2018. The detailed information is disclosed in Note. V.30(a).

V. Notes to the consolidated financial statements (continued)

39. Financial expenses (continued)

(b) On 18 July 2016, the Group issued a long-term bonds with a term of 5 year and principal value of USD 300 million, and for this year the bond recognized exchange losses of RMB 85,770,000.00. At the same time, the Company signed the 155 million dollars and 140 million dollars foreign exchange swap business agreement with China Merchants Bank and CITIC Bank. These financial instruments realized fair value gains of RMB 74,991,317.76 for the current period, please refer to Note V.7 for more details.

40. Impairment losses on assets

Item	2016	2015
Impairment loss of concession intangible assets	-	620,000,000.00
Total	**-**	**620,000,000.00**

41. Gains on change in fair value

Item	2016	2015
Financial assets at fair value through profit or loss	74,991,317.77	-
Including: derivative financial instruments	74,991,317.77	-
Total	**74,991,317.77**	**-**

42. Investment income

Item	2016	2015
Investment income from long-term equity investments under the equity method of joint ventures	25,059,890.94	13,822,650.42
Investment income from long-term equity investments under the equity method of associates	281,035,636.48	234,150,825.67
Investment income from disposal of long-term equity investment generated investment income	52,828,171.39	-
Investment income financial assets available-for-sale	38,200,000.00	3,000,000.00
Investment income from revaluing the remaining equity at fair value after loss of control	21,304,871.82	-
Investment income from financial products	15,553,550.02	-
Investment income from revaluing the original interest at fair value not under common control	-	904,017,332.82
Total	**433,982,120.65**	**1,154,990,808.91**

V. Notes to the consolidated financial statements (continued)

43. Non-operating income

Item	2016	2015	Amount recorded as non-recurring profit or loss in 2016
Meilin toll demolition compensation	-	28,328,230.00	-
Gains on disposal of related assets of Toll Free Section of Meiguan Expressway	-	821,897.50	-
Gains on disposal of other fixed assets	10,953.38	27,870.00	10,953.38
Gains on penalties	-	8,000,000.00	-
Income from settlement of debts	-	127,667.60	-
Government incentives	2,312,264.13	-	2,312,264.13
Government grants related to deferred	3,565,683.49	968,785.63	3,565,683.49
Others	1,364,640.79	1,656,345.22	1,364,640.79
Total	**7,253,541.79**	**39,930,795.95**	**7,253,541.79**

44. Non-operating expenses

Item		2016	2015	Amount recorded as non-recurring profit or loss in 2016
Total loss on disposal of non-current assets		26,964,418.09	1,840,627.93	26,964,418.09
Including:	loss on disposal of fixed assets	204,418.09	1,840,627.93	204,418.09
	loss on adjustment of compensation consideration of toll adjustment of Meiguan Expressway	26,760,000.00	-	26,760,000.00
Donation		1,788,865.00	509,350.00	1,788,865.00
Others		1,402,570.40	620,497.91	1,402,570.40
Total		**30,155,853.49**	**2,970,475.84**	**30,155,853.49**

45. Income tax expenses

(1). Classification of income tax expense

Item	2016	2015
Income tax expense	382,044,423.21	405,101,634.61
Deferred income tax	-76,017,330.07	-227,924,706.23
Total	**306,027,093.14**	**177,176,928.38**

V. Notes to the consolidated financial statements (continued)

45. Income tax expenses (continued)

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

Item	2016	2015
Profit before tax	1,622,448,902.74	1,672,326,886.76
Income tax expenses calculated at applicable tax rate	405,612,225.69	418,081,721.69
lower tax rate made by special province or local authorities	-3,236,837.08	-4,332,468.48
Effect of withholding tax on distributable profits of the Group's PRC subsidiaries	1,358,890.42	-
Income not subject to tax	-94,231,237.29	-291,712,461.89
The adjustment of deferred income tax assets	-	45,934,300.00
Unrecognized tax losses	1,276,822.54	4,215,686.58
Use of unrecognized tax losses at previous periods	-6,691,309.98	-2,476,331.23
Expenses not deductible for tax purposes	1,938,538.84	7,466,481.71
Income tax expenses	**306,027,093.14**	**177,176,928.38**

46. Notes to consolidated cash flow statement

(1). Cash received relating to other operating activities

Item	2016	2015
Cash received relating to confiscated margin from Shenzhen United Property And Share Rights Exchanged	37,968,000.00	-
Received guarantee deposit from the China Railway 23th Bureau	26,753,328.30	-
Received compensation for change of land nature Pengbo company	26,451,077.07	-
Cash received from Longli Country Government in relation to Longli Resettlement (Phase II) Project	10,000,000.00	23,000,000.00
Cash received relating to funding of Shenzhen Guangshen Coastal Expressway Investment ('Coastal Company')	4,384,565.96	-
Received operating expenses for new toll station of free section of Meiguan Expressway	-	162,850,000.00
Received advances of Longli BT project development	-	90,285,351.08
Received account from Guangzhou Western Second Ring Company	-	3,250,000.00
Others	23,538,326.85	18,577,964.16
Total	**129,095,298.18**	**297,963,315.24**

V. Notes to the consolidated financial statements (continued)

46. Notes to consolidated cash flow statement (continued)

(2). Cash paid relating to other operating activities

	2016	2015
Payment for further development of land	129,674,388.82	117,277,638.29
Payment for acquisition of land use right	55,861,692.00	156,446,829.00
Meiguan fee adjustment facilities project construction management expenses	54,494,818.20	2,084,413.86
Prepaid management fees of outer ring project	40,117,394.22	8,830,432.90
Cash advanced to Longli BT Project	12,000,000.00	66,681,519.29
Cash advanced to Longli Resettlement (Phase I) Project	10,000,000.00	14,417,867.15
Audit, valuation, lawyers and advisory fees paid	11,577,354.46	13,381,701.71
Expenses paid to stock exchanges	4,475,092.12	3,519,537.87
Management expenses paid for Coastal Project	3,021,585.31	4,755,860.27
Management expenses paid for Nanping (Phase II) Project	1,156,569.62	1,136,252.16
Management expenses paid for Longda Municipal Section	456,000.00	-
Management expenses paid for Guanlan People Road Project	409,494.09	-
Management expenses paid for Adjustment of Freight Traffic Organization Project	361,540.60	-
Management expenses paid for Dezheng Road Project	348,676.64	-
Payment related to Coastal Company	-	179,067.15
Other operating expenses paid	107,816,910.26	57,489,717.62
Total	**431,771,516.34**	**446,200,837.27**

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

Item	2016	2015
The price of disposal of subsidiaries and other business units	150,259,311.84	-
Cash and cash equivalent received from disposal of subsidiaries and other business units	150,259,311.84	-
Less: cash and cash equivalent owned by subsidiaries and other business units when losing control of them	104,666,026.93	-
Total	**45,593,284.91**	**-**

V. Notes to the consolidated financial statements (continued)

46. Notes to consolidated cash flow statement (continued)

(4). Cash received relating to other investment activities

Item	2016	2015
Cash received from the maturity of Financial products	4,800,000,000.00	-
Interests income received	57,678,271.03	18,385,926.22
Received principle and interest of Qinglong Company returned by Huayu Investment	20,327,945.21	-
Interest received on fee adjustment compensation of Meiguan Expressway	-	162,075,864.76
Increased monetary funds from Consulting Company consolidation	-	76,240,218.69
Others	-	71,800.01
Total	**4,878,006,216.24**	**256,773,809.68**

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

Item	2016	2015
Capital increase to Joint Land Company	1,896,300,000.00	524,300,000.00
Equity subscription to Bank of Guizhou Co., Ltd.	68,640,000.00	595,920,000.00
Paid withholding income tax due to transfer Hetai Company's equity interest	20,000,000.00	-
Investment funds to Qinglong Company	-	161,277,969.01
Investment funds to Gansu Provincial Highway Aviation	-	4,103,978.37
Capital increase to United Electronic Company	13,320,000.00	-
Total	**1,998,260,000.00**	**1,285,601,947.38**

(6). Cash paid relating to other investment activities

Item	2016	2015
Purchased financial products	5,350,000,000.00	-
Guarantee deposit of biding for equity	5,000,000.00	-
Others	1,300,000.00	2,324,780.00
Total	**5,356,300,000.00**	**2,324,780.00**

(7). Other cash received relating to financing activities

Item	2016	2015
Received toll adjustment of Three Expressways	-	6,588,000,000.00
Total	**-**	**6,588,000,000.00**

V. Notes to the consolidated financial statements (continued)

46. Notes to consolidated cash flow statement (continued)

(8). Other cash paid relating to financing activities

Item	2016	2015
Cash paid for purchasing minority interest	120,000,000.00	-
Other	4,942,614.23	1,548,009.44
Total	124,942,614.23	1,548,009.44

47. Supplementary information to consolidated cash flow statements

(1). Supplementary information to consolidated cash flow statements

Additional materials	2016	2015
1．Reconciliation from net profit to cash flows from operating activities		
Net profit	1,316,421,809.60	1,495,149,958.38
Depreciation of fixed assets	158,285,895.25	137,852,529.44
Amortization of investment properties	575,700.00	575,700.00
Amortization of intangible assets	1,066,454,797.97	757,967,793.92
Amortization of long-term prepaid expenses	5,756,146.74	2,490,825.06
Net (gains)/losses on disposal of fixed, intangible, and other long-term assets	26,953,464.71	-27,337,369.57
Losses on changes in the fair values(gains are listed with "-")	-74,991,317.77	-
Financial expenses (earnings are listed with "-")	639,442,735.26	370,699,591.79
Investment losses (gains are listed with "-")	-433,982,120.65	-1,154,990,808.91
Impairment losses	-	620,000,000.00
Decrease of deferred income tax assets(increase are listed with”-“)	24,475,408.05	-26,113,935.68
Increase of deferred income tax liabilities(decrease are listed with”-“)	-100,492,738.12	-201,810,770.55
Decrease in inventories (increase are listed with”-“)	-14,400,265.15	-113,965,281.26
Decrease in operating receivables(increase are listed with”-“)	132,149,887.89	-51,398,251.87
Increase in operating payables(decrease are listed with”-“)	-620,039,377.34	-37,614,850.43
Net cash flow from operating activities	2,126,610,026.45	1,771,505,130.32
2．Net changes in cash and cash equivalents:		
The ending balance of the cash	4,243,639,666.01	6,180,992,066.06
Less: the opening balance of the cash	6,180,992,066.06	1,255,154,897.37
Net increase in cash and cash equivalents	-1,937,352,400.05	4,925,837,168.69

V. Notes to the consolidated financial statements (continued)

47. Supplementary information to consolidated cash flow statements (continued)

(2). Cash and cash equivalents

Item	31 December 2016	31 December 2015
Cash		
Including: Cash on hand	11,775,045.42	12,671,446.03
Cash at bank	4,231,864,620.59	6,168,320,620.03
Cash at the end of the period	4,243,639,666.01	6,180,992,066.06
Including: Restricted cash held by the Company and group companies (Note V.1)	1,420,258,174.78	241,385,764.83
Total cash at bank and on hand	5,663,897,840.79	6,422,377,830.89

48. Assets with ownership or use right restricted

Item	31 December 2016	Reason of restriction
Operating right of Qinglian Expressway	7,212,538,154.17	The Group’s syndicated borrowings are pledged by operating right of Qinglian Expressway.
The equity interest in Meiguan Company	528,365,040.46	The Group’s 100% equity interest in Meiguan Company is pledged for certain long-term notes.
Cash at bank and on hand	1,420,258,174.78	Restricted project funds retained for construction management.
Total	**9,161,161,369.41**	**/**

V. Notes to the consolidated financial statements (continued)

49. Monetary items denominated in foreign currency

(1). Monetary items denominated in foreign currency

Item	Original amount	Exchange rate	Equivalent to RMB
Monetary capital			
Denominated in: USD	16,902.97	6.9370	117,255.90
HKD	8,367,482.68	0.8945	7,484,713.26
CHF	11.70	1.0812	12.65
PTAS	446.00	0.0468	20.87
GBP	30.00	8.5094	255.28
EUR	257.00	7.3068	1,877.85
JPY	380.00	0.0596	22.65
Other receivables			
Denominated in: HKD	10,811,427.49	0.8945	9,670,821.89
USD	166.35	6.9370	1,153.97
Employee benefits payable			
Denominated in: HKD	6,748.40	0.8945	6,036.44
Other payables			
Denominated in: HKD	9,508,828.25	0.8945	8,505,646.87
Interest payable			
Denominated in: USD	3,905,208.33	6.9370	27,090,430.19
Bonds payable			
Denominated in: USD	295,359,426.83	6.9370	2,048,908,343.94

V. Notes to the consolidated financial statements (continued)

50. Others

(1). Earnings per share

(a) Basic earnings per share

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

Item	2016	2015
Consolidated net profit attributable to ordinary shareholders of the Company	1,169,353,230.77	1,552,656,397.24
Weighted average number of ordinary shares outstanding	2,180,770,326.00	2,180,770,326.00
Basic earnings per share	0.536	0.712
Including: Basic earnings per share from continuing operations	0.536	0.712

(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 up to 31 December 2016, diluted earnings per share were equal to basic earnings per share.

VI. Change in consolidation

1. Change in consolidation due to subsidiaries newly incorporated

The Company's subsidiary, Guizhou Land Co., Ltd. established on 6 April 2016, established a wholly-owned subsidiary, Guizhou Hengtongsheng Property Co., Ltd. ("Guizhou Hengtongsheng") with registered capital of RMB 1 million, which is included in the consolidation scope this year. At the same time, on 25 November 2016, Guizhou Land and Shenzhen International Logistics Development Co., Ltd(SZ Logistics Company) signed an "equity and debt transfer contract", its 100% interest of Guizhou Hengtongsheng transferred to SZ Logistics Company, please refer to Note VI.2.

The Group set up a wholly-owned subsidiary Shenzhen Expressway Operation and Development Company Limited, which registered capital is RMB 30,000,000.00. The scope of business of this company is providing operating and technical services and construction and maintenance of traffic safety devices to high-grade highways, urban roads, general highways (including bridges, tunnels).

2. Change in consolidation due to disposal of subsidiaries

Name of subsidiaries	Price	Equity disposal percentage（%）	Equity disposal approach	Control losing date	Basis for determination control losing date	The difference between the disposal price and the net asset owned by the Group on the consolidated financial statement	Remained equity interest percentage（%）at the disposed date	Book value of remained equity interest at the disposed date	Fair value of remained equity interest at the disposed date	Gain or loss arising from remained equity interest remeasured at fair value	Method and assumptions at fair value of remainder equity interest on the disposed date	The amount of other comprehensive income transfer to investment income
Guizhou Hengtongli(a)	43,991,069.49	51%	lose control by disposal of investment of subsidiary at one time	24 June 2016	Business license obtained from change of business registration	17,353,962.44	49%	25,592,514.62	42,265,929.51	16,673,414.89	Method: Assets foundation approach Assumption: Public market assumption, continuing use assumption, continuing operation assumption, trading assumption	-
Guizhou Pengbo(a)	94,583,136.00	100%	lose control by disposal of investment of subsidiary at one time	24 June 2016	Business license obtained from change of business registration	30,860,908.24	-	-	-	-		-
Guizhou Hengtongsheng (b)	11,685,106.35	100%	lose control by disposal of investment of subsidiary at one time	20 December 2016	Business license obtained from change of business registration	4,613,300.71	-	-	-	-		
Consulting Company(c)	-	-	lose control by disposal of investment of subsidiary at one time	30 November 2016	Board Change	-	24%	39,115,719.07	43,747,176.00	4,631,456.93	Method：income approach Assumption: going-concern assumption；tax rate consistence assumption；accounting policies consistence assumption	

VI. Change in consolidation (continued)

2. Change in consolidation due to disposal of subsidiaries (continued)

(a) On 30 December 2015, Guizhou Land Company signed “Agreement of Equity and Debts Transfer” with Shenzhen International Logistics Company to dispose all the equity and debt of Guizhou Pengbo and 51% equity of Guizhou Hengtongli it hold after restructuring the related lands of Guilong No.2 land parcel and changing the land properties of some lands, according to the Agreement, at transfer prices of RMB 94,583,136.00 and RMB 43,991,069.49 respectively. The transaction was completed on 24 June 2016. The gain on the transaction is amounting to RMB 48,214,870.68 and the gain on remeasurement of the remained equity interests is amounting to RMB 16,673,414.89.

(b) On 25 November 2016, Guizhou Land and Shenzhen International Logistics signed the “Equity and Creditor's Rights Transfer Contract”, which transferred its 100% interest and RMB 6,079,749.96 creditor's rights of Guizhou Hengtongsheng to Shenzhen International Logistics Company at a price of RMB 11,685,106.35. The transaction was completed on 20 December 2016. The transaction resulted in an investment income of RMB 4,613,300.71.

(c) On 30 November 2016, the Consulting Company convened the second provisional shareholders’ meeting, in which the Company and the Tibet Trust Company jointly signed the resolution of the shareholders' meeting, agreed to amend the articles of association of the Consulting Company and re-elected the Board of Directors of the Consulting Company. According to the latest articles of association signed by the two sides, The numbers of directors that Company has the right to appoint changed from 4 to 2 (7 in total), so far, the Company cannot control the board of directors of the Consulting Company and thus lost the actual control of the Consulting Company. After the loss of control, the Company still has a significant impact on the important financial and operation decisions made by Consulting Company. Since 30 November 2016, the Consulting Company has become an associate of the Group and the Company adopted equity method for accounting measurement. The Group recognized a gain of RMB 4,631,456.93 arising from revaluing the remained equity interests at fair value.

VII. Interests in other entities

1. Interests in subsidiaries

(1). Group companies forming the Group

Name of subsidiaries	Place of main business	Place of registration	Nature of business and principal activities	Equity interest (%)		Acquired through
				Direct	Indirect	
Shenzhen Outer Ring Expressway Investment Company Limited （Outer Ring Company）	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	100%	-	Incorporation
Expressway Investment Company （Investment Company）	Longli County, Guizhou Province, PRC	Shenzhen City, Guangdong Province, PRC	Investment	95%	5%	Incorporation
Guishen Company	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Infrastructure construction	-	70%	Incorporation
Guizhou Land Company	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land Development	-	70%	Incorporation
Guizhou Shengbo Company	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	-	70%	Incorporation
Guizhou Yuelong Company	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	-	70%	Incorporation
Property Company	Longli County, Guizhou Province, PRC	Shenzhen City, Guangdong Province, PRC	Property management	-	100%	Incorporation
Environment Company(a)	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Project management	100%	-	Incorporation
JEL Company	Hubei Province, PRC	Cayman Islands	Investment holding	-	100%	Business combinations involving enterprises under common control
Magerk Company	Hubei Province, PRC	Hubei Province, PRC	Toll road operation	-	100%	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
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
Shenzhen Expressway Finance I Limited	The British Virgin Islands	The British Virgin Islands	Investment holding	-	100%	Incorporation
Fameluxe Investment	Hong Kong	Hong Kong	Investment holding	-	100%	Business combinations involving enterprises not under common control
Qinglong Company(b)	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll Road Operation	40%	10%	Business combinations involving enterprises not under common control
Shenzhen Expressway Operation and Development Company limited	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll Road Operation	100%	-	Incorporation

VII. Interests in other entities (continued)

1. Interests in subsidiaries (continued)

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

(a) On 30 December 2016, the original rhyme Shenzhen Expressway Road Construction Management Co., Ltd. (Lu Yun Company), was renamed Shenzhen Expressway Environment Co., Ltd. (Environment Company), the nature of the business changed from construction consulting to environmental industrial projects consulting.

(b) As at 31 December 2016, the Company holds 40% interest of Qinglong Company directly and the wholly-owned subsidiary Mei Wah Company holds 10% interest of Qinglong Company, so the Group actually holds 50% interest of Qinglong Company. Furthermore, the Group has the right to nominate 5 directors (7 in total) in the Board of Directors, so the Group has actual control on Qinglong Company's operation and financial decisions.

(2). Subsidiaries with material minority interests

Name of subsidiaries	Equity interest held by minority interests	Net profit attributable to minority shareholders for the period	Dividend declared by subsidiaries to the minority shareholders for the period	Minority interests as at 31 December 2016
Qinglian Company	23.63%	5,187,319.15	-	606,290,622.82
JEL Company(a)	-	44,420,197.55	-69,965,068.62	-
Guishen Company	30%	20,077,844.64	-30,000,000.00	212,200,562.15
Qinglong Company	50%	56,960,061.25	-146,501,685.49	1,218,387,955.34
Consulting Company(b)	-	20,423,156.24	-4,357,096.78	-

VII. Interests in other entities (continued)

1. Interests in subsidiaries (continued)

(3). Main financial information of subsidiaries with material minority interest

Name of subsidiaries	31 December 2016					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Qinglian Company	95,570,003.26	7,559,806,522.04	7,655,376,525.30	259,083,783.20	4,833,587,070.96	5,092,670,854.16
Guishen Company	1,111,219,633.27	44,666,165.29	1,155,885,798.56	448,550,170.93	-	448,550,170.93
Qinglong Company	116,811,523.74	4,228,950,518.13	4,345,762,041.87	113,071,755.75	1,795,914,375.43	1,908,986,131.18

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(a)	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(c)	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 (b)	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 2016			
	Revenue	Net (loss)/profit	Total comprehensive income	Net cash flows from operating activities
Qinglian Company	675,754,524.69	21,952,260.47	21,952,260.47	545,591,632.67
Guishen Company	253,822,167.23	66,926,148.80	66,926,148.80	146,257,487.02
Qinglong Company	627,228,100.57	113,920,122.49	113,920,122.49	460,078,928.74

Name of subsidiaries	31 December 2015			
	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
JEL Company(a)	337,237,180.17	110,509,694.26	110,509,694.26	162,509,791.32
Guishen Company	10,088,723.92	-1,429,663.86	-1,429,663.86	-1,491,104.84
Qinglong Company (c)	108,044,712.03	15,462,462.61	15,462,462.61	97,528,730.02
Consulting Company (b)	191,395,731.53	18,059,010.89	18,059,010.89	57,981,309.70

(a) On 2 December 2016, Mei Wah Company entered into an equity transfer agreement with Shenzhen International's wholly-owned subsidiary, Flywheel Investment. Pursuant to the Equity Transfer Agreement, Flywheel Investments transferred 45% of its JEL's interest to Mei Wah Company at a transfer price of RMB 453,498,800.00. So far, the Company holds 100% interest in JEL Company and JEL Company becomes the Group's wholly-owned subsidiary, so JEL Company is not disclosed here for the year 2016.

(b) The Consulting Company became a subsidiary of the Company since 1 July 2015, and the amount disclosed for year 2015 due from 1 July 2015 to 31 December 2015. Since at 30 November 2016, the Consulting Company become an associate company of the Group, so the Consulting Company is not disclosed here for the year 2016.

(c) Since Qinglong Company became a subsidiary of the Company as at 30 October 2015, the amounts of income statement are recognized from 30 October 2015 to 31 December 2016.

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

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

VII. Interests in other entities (continued)

2. Interests in joint ventures or associates

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

	As at and for the year ended 31 December 2016	As at and for the year ended 31 December 2015
Joint ventures:		
Total book value of investment	166,160,042.14	165,579,108.30
Sub-Total amount of the following items calculated in the Group's equity proportion in joint ventures:		
- Net profit	25,059,890.94	13,822,650.42
- Total comprehensive income	25,059,890.94	13,822,650.42
Associates:		
Total book value of investment	4,537,121,464.03	1,817,310,916.29
Sub-total amount of the following items calculated in the Group's equity proportion in associates:		
- Net profit	281,035,636.48	234,150,825.67
- Total comprehensive income	281,035,636.48	234,150,825.67

As the Group's investment income / loss attributed to each of the joint ventures and associates in the same period of this year and year 2015 is less than 10% of the Group's total profit for the respective period, the directors of the Group determined that the joint ventures and associates were insignificant.

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

VIII. Financial instruments and risk

1. Categories of financial instrument

2016

Financial assets

	Financial assets at fair value through profit or loss	Loans and receivables	Financial assets available-for-sale	Total
Cash	-	5,663,897,840.79	-	5,663,897,840.79
Financial assets at fair value through profit or loss	74,991,317.77	-	-	74,991,317.77
Financial assets available-for-sale	-	-	43,490,000.00	43,490,000.00
Notes receivables	-	2,928,300.00	-	2,928,300.00
Accounts receivable and long-term receivables	-	561,570,522.30	-	561,570,522.30
Interest receivables	-	15,869,806.93	-	15,869,806.93
Other receivables	-	99,297,652.11	-	99,297,652.11
Current portion of non-current assets	-	124,169,139.84	-	124,169,139.84
Other current assets (financial products)	-	550,000,000.00	-	550,000,000.00
Total	**74,991,317.77**	**7,017,733,261.97**	**43,490,000.00**	**7,136,214,579.74**

Financial liabilities

	Other financial liabilities	Total
Current portion of non-current borrowings	99,200,000.00	99,200,000.00
Long-term borrowings	1,783,024,000.00	1,783,024,000.00
Accounts payable	219,558,035.62	219,558,035.62
Interest payables	100,188,323.21	100,188,323.21
Bonds payables	3,742,863,939.90	3,742,863,939.90
Other payables	2,387,124,807.60	2,387,124,807.60
Current portion of non-current liabilities	1,582,010,852.14	1,582,010,852.14
Other non-current liabilities	5,837,822,400.00	5,837,822,400.00
Total	**15,751,792,358.47**	**15,751,792,358.47**

VIII. Financial instruments and risk (continued)

1. Categories of financial instrument (continued)

2015

Financial assets

	Loans and receivables	Financial assets available-for-sale	Total
Cash	6,422,377,830.89	-	6,422,377,830.89
Financial assets at fair value through profit or loss	-	-	-
Financial assets available-for-sale	-	30,170,000.00	30,170,000.00
Accounts receivable and long-term receivables	728,543,056.12	-	728,543,056.12
Interest receivables	959,220.83	-	959,220.83
Other receivables	123,461,626.41	-	123,461,626.41
Current portion of non-current assets	139,082,269.66	-	139,082,269.66
Other current assets (financial products)	595,920,000.00	-	595,920,000.00
Total	**8,010,344,003.91**	**30,170,000.00**	**8,040,514,003.91**

Financial liabilities

	Other financial liabilities	Total
Current portion of non-current borrowings	269,200,000.00	269,200,000.00
Long-term borrowings	2,201,928,764.00	2,201,928,764.00
Accounts payable	182,023,959.15	182,023,959.15
Interest payables	118,790,435.51	118,790,435.51
Bonds payables	2,690,329,788.48	2,690,329,788.48
Other payables	1,325,053,997.31	1,325,053,997.31
Current portion of non-current liabilities	1,836,240,879.39	1,836,240,879.39
Other non-current liabilities	6,067,060,199.11	6,067,060,199.11
Total	**14,690,628,022.95**	**14,690,628,022.95**

VIII. Financial instruments and risk (continued)

2. Risk of financial instruments

The Group's principal financial instruments, other than derivative financial instruments, include cash and cash equivalents, bank loans, other loans including interest, etc. The main purpose of these financial instruments is to support the Group's operations. The Group has various other financial assets and liabilities directly generated from operation, such as accounts receivable and accounts payable.

The Group's principal derivative financial instruments mainly include forward foreign exchange contracts with the purpose of exchange rate risk management. The Group's principal risks of financial instruments are credit risk, liquidity risk, and market risk (mainly comprise foreign exchange risk and interest rate risk). The risk management of the Group is to focus on the uncertainty of the financial market and tries to lower the negative influence on the Group's financial performance.

2.1 Foreign exchange risk

The Group is principally engaged in business in the PRC and its vast majority of transactions are settled in RMB. However, foreign currency assets and liabilities recognized by the Group and future foreign currency transactions (except denominated in US dollars denominated bonds, foreign currency assets and liabilities and currency denominated in foreign currency transactions are mainly Hong Kong dollars) still have foreign exchange risk. The Group's headquarters' finance department is responsible for monitoring the Group's size of foreign currency transactions and foreign currency assets and liabilities to minimize the risk of foreign exchange.

The following table shows the sensitivity of the Group's net profit or loss due to reasonable changes in the exchange rate when other variables remain the same at the balance sheet date.

2016

	Exchange rate	Net profit	Other comprehensive income after tax	Total equity
	% of Increase/(decrease)	Increase/(decrease)	Increase/(decrease)	Increase/(decrease)
USD	10%	(882,941.39)	-	(882,941.39)
USD	(10%)	882,941.39	-	882,941.39
HKD	10%	648,289.04	-	648,289.04
HKD	(10%)	(648,289.04)	-	(648,289.04)

The Group attaches importance to the study of exchange rate risk management policies and strategies. To avoid the exchange rate risk of repayment of principal and interest on US dollar bonds, the Group entered into forward foreign exchange contracts with banks, please refer to Note V.7

2.2 Interest rate risk

The Group's risk of interest rate mainly arises from interest-bearing long-term liabilities including long-term borrowings and bonds payable. Financial liabilities issued at floating rates exposed the Group to risk of interest rate on cash flow. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at 31 December 2016, the book value of the Group's interest-bearing long-term liabilities at floating rates is amounting to RMB 1,882,224,000.00 (31 December 2015: RMB 2,371,928,764.00).

VIII. Financial instruments and risk (continued)

2.2 Interest rate risk (continued)

Increases in interest rates will increase the cost of new interest-bearing liabilities and the Group's outstanding interest expenses at floating interest rate, which could have a material adverse effect on the Group's financial performance. The Group's finance department continuously monitors the interest rate of the Group and makes adjustment according to the latest market conditions.

In current period, if interest rates calculated on the floating rate of interest-bearing long-term liabilities had risen/fallen 50 basis points while all other variables was stay constant, the Group's net profit would have decreased/increased by approximately RMB7,400,987.33 (31 December 2015: approximately RMB12,613,227.40).

2.3 Credit risk

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

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

Item	31 December 2016	31 December 2015
State-owned banks	3,226,558,755.70	2,956,678,979.73
Other banks	2,425,495,971.28	3,452,968,069.13
Total	**5,652,054,726.98**	**6,409,647,048.86**

The Group expected that there is no significant credit risk or any other significant loss arising from breach of contracts associated with bank deposits in state-owned banks for them having support of government and the others are listed banks or commercial banks at medium or large size.

As at 31 December 2016, the Group's receivables due from Shenzhen government derived from entrusted management services and receivables due from government authorities in Guizhou Longli County relating to the Longli BT Project and Longli Resettlement (Phase II) Project were approximately amounting to RMB 407 million (31 December 2015: RMB 432 million) in aggregate. Considered the operation nature of the Group, the directors of the Company considered that the related credit risks were controllable. The Group did not have significant credit risk arising from other customers.

2.4 Liquidity risk

Each subsidiary of the Group is responsible for its own cash flow forecasting. The Group's finance department at its headquarters monitors the Group's short-term and long-term liquidity requirements based on the forecasting from the subsidiaries to ensure that the Group has sufficient cash and securities that are readily convertible to cash, meanwhile to continuously monitors that if the Group condition can meet the borrowing agreements, in order to borrow sufficient cash in till from major financial institution to satisfied the short-term and long-term requirements.

VIII. Financial instruments and risk (continued)

2.4 Liquidity risk (continued)

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

	31 December 2016				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial liabilities -					
Current portion of non-current liabilities (b/c)	1,909,595,067.32	-	-	-	1,909,595,067.32
Payables (a)	2,622,060,041.03	-	-	-	2,622,060,041.03
Long-term borrowings	78,698,238.85	127,412,087.55	949,395,909.12	1,036,171,910.61	2,191,678,146.13
Bonds payables	137,315,737.50	1,037,315,737.50	2,184,695,737.50	844,000,000.00	4,203,327,212.50
Other non-current liabilities(c)	-	6,111,189,985.98	-	-	6,111,189,985.98
Total	**4,747,669,084.70**	**7,275,917,811.03**	**3,134,091,646.62**	**1,880,171,910.61**	**17,037,850,452.96**

	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 (b)	1,865,655,847.57	-	-	-	1,865,655,847.57
Payables (a)	1,586,587,956.46	-	-	-	1,586,587,956.46
Long-term borrowings	112,274,198.05	382,978,091.86	678,262,526.46	1,628,233,733.06	2,801,748,549.43
Bonds payables	135,050,000.00	1,135,050,000.00	1,067,950,000.00	888,000,000.00	3,226,050,000.00
Other non-current liabilities	-	752,590,000.00	6,111,189,985.98	-	6,863,779,985.98
Total	**3,699,568,002.08**	**2,270,618,091.86**	**7,857,402,512.44**	**2,516,233,733.06**	**16,343,822,339.44**

a. Payables comprise accounts payable and other payables.

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

c. Other non-current liabilities and Current portion of non-current liabilities were the compensation related to toll adjustment of “Three Expressways”, which were settled by the first stage of toll revenue and the second stage of final transaction consideration in subsequent years. Details please refer to V.30(a).

Since the Group has steady and sufficient cash flow from operation and sufficient credit line, in addition proper financing arrangements were made to fulfill the needs of payment of debts and capital expenditures, the directors consider that the Group has no significant liquidity risk.

3. Capital management

The Group's main objective of capital management is to ensure the Group's ability to continue to operate and maintain a healthy capital ratio to support business development and maximize shareholder value.

VIII. Financial instruments and risk (continued)

3. Capital management (continued)

The Group's capital structure is adjusted according to the changes in the economic situation and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the distribution of profits to the shareholders, return the capital to the shareholders or issue new shares. The Group is not bound by external mandatory capital requirements. In 2016 and 2015, the objectives, policies or procedures of capital management have not changed.

The Group uses the financial leverage ratio to monitor the use of capital, that is, the sum of interest-bearing liabilities divided by the owner's equity and interest-bearing liabilities. The financial leverage ratio at the balance sheet date is as follows:

	2016	2015
Interest-bearing bank loans	1,882,224,000.00	2,471,128,764.00
Interest-bearing Bonds	4,742,189,207.14	4,190,326,788.48
Interest-bearing other liabilities	6,316,872,400.00	6,614,230,000.00
Total of interest-bearing liabilities	**12,941,285,607.14**	**13,275,685,552.48**
Equity	**14,711,355,099.58**	**14,961,080,522.10**
Total of equity and interest-bearing liabilities	27,652,640,706.72	28,236,766,074.58
Financial leverage ratio	**47%**	**47%**

IX. Fair value disclosure

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

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

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

The third level: The unobservable inputs of the assets or liabilities.

IX. Fair value disclosure

1. Financial assets and liabilities measured at fair value

2016

	Fair value measurement using			
	Quoted price in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	74,991,317.77	-	-	74,991,317.77
Total	74,991,317.77	-	-	74,991,317.77

The Group entered into derivative financial instrument contracts with multiple counterparties (mainly with high credit rating financial institutions). The Group's derivative financial instruments are forward foreign exchange contracts. The fair value of the financial assets at fair value through profit or loss held by the Group are determined based on the forward interest rate in the active markets as at 31 December 2016.

In year 2016, there was no transfer of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3.

2. Financial assets and liabilities not measured at fair value

Financial assets and liabilities held by the Group at amortized cost mainly comprised: accounts receivable, Current portion of long-term borrowings, Current portion of bonds payables, payables, long-term borrowings and other non-current liabilities.

Except for the listed financial liabilities below, the difference between the book value and the fair value of other financial assets and liabilities is small:

	31 December 2016		31 December 2015	
	Book value	Fair value	Book value	Fair value
Financial liabilities -				
Current portion of bonds payables	999,325,267.24	1,040,230,233.12	1,499,997,000.00	1,514,410,024.63
Current portion of other non-current liabilities (a)	459,050,000.00	718,463,007.16	548,920,000.00	614,016,290.24
Bonds payable	3,742,863,939.90	3,935,190,028.06	2,690,329,788.48	2,789,194,244.29
Other non-current liabilities	5,837,822,400.00	5,569,519,413.52	6,065,310,000.00	6,034,251,595.47
Total	**11,039,061,607.14**	**11,263,402,681.86**	**10,804,556,788.48**	**10,951,872,154.63**

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

Long-term borrowings and bonds that do not have an active market, the fair value is determined by discounted future cash flows specified in the contract using the discounted interest rate that with comparable credit ratings and providing almost the same cash flow under the same conditions.

X. Related parties and related party transactions

1. General information of the parent company

Name	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 SZ SASAC.

2. Information of subsidiaries

The information for the subsidiaries is set out in NoteVII.1.

3. Information of joint ventures and associates

Joint ventures and associates who have related party transactions with the Group during the year ended 31 December 2016 or have related party balance with the Group resulted from related party transaction in prior years are listed as follows:

Item	Relationship with the Group
Consulting Company	Associated Enterprises(1 January 2015 to 30 June 2015 and 1 December 2016 to 31 December 2016)
Qinglong Company	Associated Enterprises(1 January 2015 to 29 October 2015)
Huayu Company	Associated Enterprises
Nanjing Third Bridge Company	Associated Enterprises
GZ W2 Company	Associated Enterprises
Joint Land Company	Associated Enterprises
Guangyun Company	Associated Enterprises
Jiangzhong Company	Associated Enterprises
Yangmao Company	Associated Enterprises

The Company consolidated the Consulting Company into the consolidated financial statements of the Group from 1 July 2015 to 30 November 2016. From 1 January 2015 to 30 June 2015 and from 1 December 2016 to 31 December 2016, Consulting Company is an associate of the Company.

The Company consolidated the Qinglong Company into the consolidated financial statements of the Group on 30 October 2015. The amount of the related transactions with Qinglong Company is counted from January 1 2015 to 29 October 2015.

X. Related parties and related party transactions (continued)

4. Information of other related parties

Item	Relationship with the Group
Shenzhen Baotong Highway Construction and Development Limited ("Baotong Company")	Parent company's wholly-owned subsidiary
Shenzhen Longda Expressway Company Limited ("Longda Company")	Parent company's holding subsidiary
Shenzhen International South-China Logistics Co., Ltd. ("SC Logistics Company")	Parent company's holding subsidiary
Shenzhen International Logistics Company	Parent company's wholly-owned subsidiary
Flywheel Investment	Parent company's wholly-owned subsidiary
Xin Tong Chan Company	Shareholder of the Company
Coastal Company	Others
United Electronic Company	Others
Guangzhou Cement Company Limited	Others
Huayu Investment Group	Others

5. Related party transactions

(1). Rendering or receiving of services

Receiving of services

Name of related party	Nature of transaction	2016	2015
Consulting Company (a)	Receiving construction consulting and testing services	17,150,206.50	2,746,524.00
United Electronic Company(b)	Accepted project management services	16,385,481.26	16,165,970.05
Others(c)	Receiving power supply services and others	1,014,526.01	862,439.98

a. The Consulting Company became a joint venture of the Group since 1 December 2016. The Group had entered into management service contracts with the Consulting Company to provide for construction consulting and testing services for the Outer Ring project and other roads of the Group. The amount of related party transactions for the purchase of goods / services is the amount counted when the Consulting Company as the associates of the Company (From 1 January 2015 to 30 June 2015 and from 1 December to 31 December 2016).

b. 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.

c. Advertising 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, Coastal Company and Guangzhou Cement Company Ltd; At the same time, the Company and its subsidiaries received service of collection of toll fees under integrated toll system provided by GZ W2 Company, Guangyun Company, Longda Company, Coastal Company, Yangmao Company and Jiangzhong Company. The respective transaction amounts were not disclosed as they are not material.

X. Related parties and related party transactions (continued)

5. Related party transactions (continued)

Rendering of services

Name of related party	Nature of transaction	2016	2015
Coastal Company(a)	Provide construction consulting services	5,451,183.97	3,083,259.44
Others(b)	Supply of water and electricity for offices	1,523,893.51	666,003.00
Coastal Company(c)	Provide construction management services	-9,494,251.39	24,665,543.79

a. The Consulting Company was the Company's subsidiaries from 1 July 2015 to 30 November 2016 and during which it provides the Group with services of construction consulting.

b. The Group provided Huayu Investment, Huayu Company, United Electronic Company, Consulting Company and Shenzhen International with services of water and electricity supply and others and charged them based on the expenses the Company paid to the administration of water and electricity supply. At the same time, the Company and its subsidiaries provided service of collection of toll fees under integrated toll system to GZ W2 Company, Guangyun Company, Longda Company, Coastal Company, Yangmao Company and Jiangzhong Company. The respective transaction amounts were not disclosed as they are not material.

c. On 9 September 2011, the Coastal Company signed an "entrusted construction management agreement" with the Company and entrusted the Company 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. During the year, the Company has reversed construction management services fee amounting to RMB 9,494,251.39 calculated based on the latest investment control and estimation of savings. Furthermore, the Company recognized entrusted operation management income for the year, please refer to Note X.5(2)(b).

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

The company trusteeship is analyzed 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 recognized in 2016
Baotong Company(a)	The Company	Equity	1 January 2016	31 December 2018	Negotiated price	17,320,754.72
Coastal Company(b)	The Company	Equity	1 January 2014	31 December 2016	Negotiated price	50,943,396.23

a. The Company was entrusted by Baotong Company to operate and manage Longda Expressway by an agreement of equity trusteeship. The Company renew the agreement and the trusteeship is extended to 31 December 2018. Pursuant to the agreement, the management service fee is RMB18million per year including tax. During the period, the Company recognized revenue related to the transaction amounting to RMB 17,320,754.72 (2015: RMB 18,000,000.00).

X. Related parties and related party transactions (continued)

5. Related party transactions (continued)

b. The Company signed an "Entrustment Management Agreement" on June 2016 with the Coastal Company, who entrusted the Company to manage operation of Coastal project Phase I from January 1 2014 to December 31 2016, with the management service fee is RMB 18,000,000.00 per year including tax. During the period, the Company recognized the management revenue amounting to RMB 50,943,396.23 (2015: Nil). On 30 December 2016, the entrustment agreement was renewed, with service period from 1 January 2017 to 31 December 2019.

(3). Leases

As a Lessor:

Item	Assets leased	Total rental income in 2016	Total rental income in 2015
United Electronic Company, Consulting Company and Consulting Company	Office building	519,431.17	639,595.00

As a Lessee:

Item	Assets leased	Total rental expenses in 2016	Total rental expenses in 2015
Longda company, Huayu company, Qinglong company, Xin Tong Chan Company and Coastal Company	Billboard land use rights	1,681,761.86	2,367,000.00

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

(4). Remuneration of key management personnel

Item	31 December 2016	31 December 2015
Remuneration of key management personnel	11,790,913.12	11,182,000.00

Key management personnel include directors, supervisors and senior management personnel. The Company has a total of 19 key management personnel (2015: 25) during the year.

X. Related parties and related party transactions (continued)

5. Related party transactions (continued)

(4). Remuneration of key management personnel

(a) Remuneration of Directors and Supervisors

The remuneration of each director and supervisor in 2016 is as follows:

Name	Remuneration	Wages and bonuses	Total
Hu Wei*	-	1,231,000.00	1,231,000.00
Wu Yade*	-	1,085,000.00	1,085,000.00
Wang Zengjin*	-	838,000.00	838,000.00
Liao Xiangwen*	-	967,000.00	967,000.00
Zhao Zhichang	68,000.00	-	68,000.00
Ou Shengqin	180,000.00	-	180,000.00
Lin Juchang	180,000.00	-	180,000.00
Hu Chunyuan	180,000.00	-	180,000.00
Chen Tao	93,500.00	-	93,500.00
Xin Jian*	-	261,000.00	261,000.00

The remuneration of each director and supervisor in 2015 is as follows:

Name	Remuneration	Wages and bonuses	Total
Hu Wei*	-	960,000.00	960,000.00
Wu Yade*	-	920,000.00	920,000.00
Wang Zengjin*	-	360,000.00	360,000.00
Zhao Zhichang	350,000.00	-	350,000.00
Ou Shengqin	180,000.00	-	180,000.00
Lin Juchang	180,000.00	-	180,000.00
Hu Chunyuan	180,000.00	-	180,000.00
Fang Jie*	-	706,000.00	706,000.00

* Remuneration of directors and supervisors has been reflected in the remuneration of key management personnel.

X. Related parties and related party transactions (continued)

5. Related party transactions (continued)

(4). Remuneration of key management personnel

(a) Remuneration of Directors and Supervisors (continued)

In this year, Chairman Hu Wei, Executive Director and President Wu Yade, Executive Director Wang Zengjin, Executive Director Liao Xiangwen, Director Zhao Junrong, Xie Rikang, Liu Ji, Chen Yuanjun, Ou Shengqin, Lin Juchang, Hu Chunyuan, Chen Tao and supervisors Zhong Shanqun, Liang Xin and Xin Jian's the meeting allowance (before tax) is RMB 14,000.00, RMB 14,500.00, RMB 16,000.00, RMB 2,000.00, RMB 9,000.00, RMB 11,500.00, RMB 2,000.00, RMB 1,040.00, RMB 19,720.00, RMB 8,120.00, RMB 20,880.00, RMB 2,080.00, RMB 10,000.00, RMB 1,040.00 and RMB 14,323.12. Among them, Chairman Hu Wei, Executive Director and President Wu Yade, Executive Director Wang Zengjin, Executive Director Liao Xiangwen, Directors Zhao Junrong, Xie Rikang, Liu Ji and supervisor Zhong Shanqun had waived the meeting allowance receivable this year.

In this year, Chairman Hu Wei, Executive Director and President Wu Yade, Executive Director Wang Zengjin, Executive Director Liao Xiangwen and supervisor Xin Jian were entitled to the pension schemes contribution of RMB 121,000.00 (2015: RMB 106,000.00), RMB 120,000.00 (2015: RMB 106,000.00), RMB 119,000.00 (2015: RMB 43,000.00), RMB 116,000.00 (2015: Nil) and RMB 45,000.00 (2015: Nil).

In addition, Chairman Hu Wei, Executive Director and President Wu Yade, Executive Director Wang Zengjin, Executive Director Liao Xiangwen and Supervisor Xin Jian also obtained other benefits and allowances, including medical care contribution and others, with amount of RMB 72,000.00 (2015: RMB 67,000.00), RMB 72,000.00 (2015: RMB 67,000.00), RMB 133,000.00 (2015: 54,000.00), RMB 132,000.00 (2015: Nil) and RMB 76,000.00 (2015: Nil).

(b) The top five paid of management team

During the year, the top five remunerations of the Group included three directors (2015: 2 directors) whose remuneration was reflected in the above table; the total amount of the other two (2015: 3) remuneration amounts are as follows:

	2016	2015
Basic salary, bonus, housing subsidy and other subsidies	2,173,000.00	2,950,000.00
Pension	246,000.00	302,000.00
	2,419,000.00	3,252,000.00

Number of individuals

	2016	2015
Salary range:		
HKD 0 to1,000,000	-	-
HKD 1,000,000 to 1,500,000	2	3
HKD 1,500,00 to 2,000,000	-	-

X. Related parties and related party transactions (continued)

5. Related party transactions (continued)

(5). Others

Name of related party	Nature of transaction	31 December 2016
Shenzhen International(a)	Disposal all of the equity and debt of Guizhou Pengbo	94,583,136.00
Shenzhen International(a)	Disposal 51% of shares of Guizhou Hengtongli	43,991,069.49
Shenzhen International(b)	The sale of Hengtongsheng all the shares and claims	11,685,106.35
Flywheel Investment(c)	Purchase 45% equity of JEL Company	453,498,800.00

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

b. On 25 November 2016, Guizhou Land Company and Shenzhen International Logistics Company signed "Agreement of Equity and Debts Transfer" to dispose all of the equity and debt of Guizhou Hengtongsheng. Details please refer to Note VI.2(b).

c. On 2 December 2016, Mei Wah Company and Flywheel Investment, wholly-owned subsidiaries of Shenzhen International, signed "Agreement of Equity Transfer" to purchase 45% equity of JEL Company. Details please refer to Note V.24(1)(b).

6. Receivable due from and payables to related parties

(1). Receivable items

Item	Related parties	31 December 2016		31 December 2015	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Accounts receivable	Coastal Company	281,255,696.39	-	281,255,696.39	-
Accounts receivable	Baotong Company	2,295,854.23	-	2,337,298.33	-
Other receivables	Longda company	110,000.00	-	10,000.00	-
Other receivables	Huayu company	20,000.00	-	20,000.00	-
Other receivables	Consulting Company	84,050.00	-	-	-
Advances to suppliers	Consulting Company	7,180,105.20	-	-	-

X. Related parties and related party transactions (continued)

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

(2). Payable items

Item	Related parties	31 December 2016	31 December 2015
Accounts payable	Consulting Company	504,712.30	-
Accounts payable	United Electronic Company	113,747.32	101,665.72
Accounts payable	Coastal project company	35,000.00	1,015,000.00
Accounts payable	Huayu Company	15,000.00	16,000.00
Accounts payable	SC Logistics Company	4,500.00	12,000.00
Accounts payable	Xin Tong Chan Company	2,000.00	-
Advances from related parties	Coastal Company(Phase II)	33,207,547.17	-
Other payables	Flywheel Investment	333,498,800.00	-
Other payables	GZ W2 Company	40,750,000.00	40,750,000.00
Other payables	Nanjing Third Bridge Company	33,526,376.43	33,526,376.43
Other payables	Consulting Company	13,664,819.12	-
Other payables	Shenzhen International Logistics Company	815,687.07	-
Other payables	United Electronic Company	480,523.61	384,999.13
Other payables	Coastal Company	465,573.60	-
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

(1). Receive service

The following table represents the commitments that had been contracted but not yet recognized on the balance sheet.

	2016
Consulting Company	92,877,082.50

(2). Investment Commitment

On 31 December 2016, the Group has no investment commitments to related parties (31 December 2015: RMB 1,896,300,000.00), because the investment commitment to United Land has realized in the current period. Details please refer to Note V.12(4).

XI. Commitments and Contingencies

1. Significant commitments

(1). Capital commitment

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

	31 December 2016	31 December 2015
Expressway construction projects	3,056,514,408.84	122,367,117.88

As at 31 December 2016, the joint ventures had no capital commitments.

(b) Capital commitment contracted by the management but not yet recognized:

	31 December 2016	31 December 2015
Real estate and expressway development project	3,520,138,579.35	104,797,401.76

On 31 December 2016, Capital commitment contracted by the management but not yet recognized related to expressway development is amounting to RMB 3,446,962,144.65, and related to real estate development is RMB 73,176,434.70.

(2). Investment commitment

As at 31 December 2016, the Group has no investment commitments (31 December 2015: RMB 1,896,300,000.00). Details please refer to Note X.7(2).

(3). Material operating lease

Pursuant to the operating lease agreements entered into with lessors, the minimum lease payments under irrevocable operating leases are fall due as follows:

	31 December 2016	31 December 2015
Within 1 year (including 1 year)	11,863,518.60	11,691,483.60
Over 1 year but within 2 years (including 2 years)	7,514,467.80	11,776,464.60
Over 2 years but within 3 years (including 3 years)	4,961,250.00	7,514,467.80
Over 3 years	16,422,357.65	21,383,607.65
Total	**40,761,594.05**	**52,366,023.65**

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 RMB 15,000,000.00.

XI. Commitments and Contingencies (continued)

2. Contingencies (continued)

(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 RMB 2,000,000.00.

(c) The Company was entrusted by Shenzhen Longhua New Area Construction Management Center to manage the construction project of the Intersection of Dezheng Road Project. Pursuant to the contract, the Company had arranged with bank to issue irrevocable performance guarantees to Shenzhen Longhua New Area Construction Management Center amounting to RMB 35,850,000.00.

(d) The Company was entrusted by Shenzhen Longhua New Area Construction Management Center to manage the node road rebuilding project of People Road of Meiguan expressway. Pursuant to the contract, the Company had arranged with bank to issue irrevocable performance guarantees to Shenzhen Longhua New Area Construction Management Center amounting to RMB 25,273,500.00.

(e) As at 31 December 2016, the Company guaranteed banks for its mortgaged home owners with associated surety responsibility amounting to RMB 177,940,000.00. According to the relevant provisions, the Company had the responsibility to repay the loan as well as its related interests and forfeit if mortgaged home owners default on loans. As a result, the Company could repossess the ownership of the house. The period of guarantee started from the date the bank released the loan to the date the mortgaged home owner obtained the certificate of the house ownership. The directors consider that the value of owned recoverable amount is enough to cover the loan as well as its related interests and forfeit, so the broad hadn't arranged provisions to such guarantees.

(f) The Company is entrusted by Coastal Company to operate and construct Coastal Project Phase II. Pursuant to the agreement of construction management, the Company had arranged with bank to issue irrevocable performance guarantees to Coastal Company amounting to RMB 100,000,000.00.

XII. Events after the balance sheet date

1. Significant unadjusted events after the balance sheet date

(1). On 20 January 2017, the Company entered into an equity transfer agreement with Shenzhen Ping An Innovation Capital Investment Co., Ltd. Pursuant to the Agreement, the Company agreed to acquire a 100% equity interest in Hunan Yee Chang Expressway Development Co., Ltd. for RMB1.27 billion. As of the date of the disclosure, the transaction has not yet been completed.

2 Dividend distribution

Dividends proposed to distribute	
Dividends proposed by the Board of Directors on 17 March 2017 which is subject to be approved in the shareholders' meeting	479,769,471.72

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. Different businesses require different technologies and marketing strategies, therefore, the Group separately manages the production and operation of the reportable segment and evaluates its operating performance in order to make decisions about resources to be allocated to the segment and assess its performance.

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

Other businesses principally comprise entrusted management service, advertising services, properties development and other services. The Group has no inter-segment transaction. These businesses do not compose separate reportable segments

XIII. Other significant matters (continued)

1. Segment information (continued)

(2). Segment information

Year 2016	Toll road	Others	Unallocated	Total
Revenue from external customers	3,679,988,086.44	852,221,070.10	-	4,532,209,156.54
Cost of service	1,863,000,759.27	669,930,556.80	-	2,532,931,316.07
Interest income	53,213,175.47	22,070,368.32	3,542,746.28	78,826,290.07
Interest expenses	627,315,759.68	1,287,550.21	-	628,603,309.89
Investment income from associates and joint ventures	244,888,848.53	61,206,678.89	-	306,095,527.42
Depreciation and amortization	1,189,679,115.92	34,620,346.33	6,773,077.71	1,231,072,539.96
Total profit	1,485,561,999.02	233,529,454.56	-96,642,550.84	1,622,448,902.74
Income tax expense	274,795,380.72	31,231,712.42	-	306,027,093.14
Net profit	1,210,766,618.30	202,297,742.14	-96,642,550.84	1,316,421,809.60
Total assets	27,313,360,172.38	4,886,806,428.10	184,677,846.68	32,384,844,447.16
Total liabilities	16,333,791,452.29	828,540,480.43	511,157,414.86	17,673,489,347.58
Long-term equity investments in associates and joint ventures	1,442,911,998.30	3,260,369,507.87	-	4,703,281,506.17
Increase in original value of non-current assets other than financial assets, long-term equity investments and deferred tax assets	333,435,261.73	35,775,639.30	866,978.34	370,077,879.37

Year 2015	Toll road	Others	Unallocated	Total
Revenue from external customers	3,014,057,419.87	406,520,915.32	-	3,420,578,335.19
Cost of service	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 expenses	444,507,177.81	14,352,269.53	-	458,859,447.34
Investment income from associates and joint ventures	248,425,215.11	-451,739.02	-	247,973,476.09
Impairment loss of assets	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 expense	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
Increase in original value of non-current assets other than financial assets, long-term equity investments and deferred tax assets	4,742,220,355.06	30,207,643.28	5,051,844.18	4,777,479,842.52

(3) Other instructions

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

XIV. Notes to the Company's financial statements

1. Accounts receivable

(1). Accounts receivable is analyzed by categories as follows:

	31 December 2016					31 December 2015				
	Ending balance		Provision for bad debts			Ending balance		Provision for bad debts		
	Amount	%	Amount	%	Net book amount	Amount	%	Amount	%	Net book amount
Individually significant and provision separately made	-	-	-	-	-	-	-	-	-	-
Provision made collectively	463,878,267.64	100.00	-	-	463,878,267.64	495,255,623.24	100.00	-	-	495,255,623.24
- Group 1	451,429,372.53	97.32	-	-	451,429,372.53	464,820,092.41	93.85	-	-	464,820,092.41
- Group 2	12,448,895.11	2.68	-	-	12,448,895.11	30,435,530.83	6.15	-	-	30,435,530.83
Not individually significant but provision separately made	-	-	-	-	-	-	-	-	-	-
Total	**463,878,267.64**	**100.00**	**-**	**/**	**463,878,267.64**	**495,255,623.24**	**100.00**	-	**/**	495,255,623.24

In group 2, the accounts receivable of provision for bad debts by aging is analyzed as follows:

Aging	31 December 2016		
	Accounts receivable	Provision for bad debts	Provision for bad debts
Within 1 year	12,448,895.11	-	-
1 to 2 years	-	-	-
Total	**12,448,895.11**	-	-

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

	Balance	Provision for bad debts	% of total balance
Total balances from five largest accounts receivable assembled	443,734,604.22	-	95.66%

XIV. Notes to the Company's financial statements (continued)

2. Other receivables

(1). Other receivables is analyzed by categories as follows:

	31 December 2016					31 December 2015				
	Ending balance		Provision for bad debts			Ending balance		Provision for bad debts		
	Amount	%	Amount	%	Net book amount	Amount	%	Amount	%	Net book amount
Individually significant and provision separately made	-	-	-	-	-	-	-	-	-	
Provision made collectively	1,542,710,679.60	100.00	-	-	1,542,710,679.60	1,269,557,969.42	100.00	-	-	1,269,557,969.42
- Group 1	1,535,368,510.65	99.52	-	-	1,535,368,510.65	1,268,960,891.68	99.95	-	-	1,268,960,891.68
- Group 2	7,342,168.95	0.48	-	-	7,342,168.95	597,077.74	0.05	-	-	597,077.74
Not individually significant but provision separately made	-	-	-	-	-		-	-	-	
Total	**1,542,710,679.60**	**100.00**	**-**	**/**	**1,542,710,679.60**	**1,269,557,969.42**	**100**	**-**	**/**	**1,269,557,969.42**

In group 2, the accounts receivable of provision for bad debts by aging is analyzed as follows:

	31 December 2016		
Aging	Other receivables	Provision for bad debts	Provision for bad debts
Within 1 year	7,335,518.95	-	-
1 to 2 years	-	-	-
2 to 3 years	6,650.00	-	-
Total	**7,342,168.95**	**-**	**-**

(2). Other receivables by nature are analyzed as follows:

Nature	31 December 2016	31 December 2015
Loans	1,198,333,335.00	913,563,870.59
Advances	337,646,761.52	354,296,038.18
Others	6,730,583.08	1,698,060.65
Total	**1,542,710,679.60**	**1,269,557,969.42**

XIV. Notes to the Company's financial statements (continued)

2. Other receivables(continued)

(3). As at 31 December 2016, the five largest other receivables are analyzed as follows:

Name of the company	nature	Balance	Aging	% of total balance	Bad debt provision at 31 December 2016
Qinglong Company	Loans	1,070,000,000.00	Within 1 year	69.36%	-
Mei Wah Company	Advances	201,748,218.59	1 to 3 year	13.08%	-
Investment Company	Loans	110,000,000.00	Within 1 year	7.13%	-
Airport-Heao Eastern Company	Advances	77,393,035.37	Within 1 year	5.02%	-
Shenzhen Longhua New District Municipal Government	Advances	54,353,901.07	Within 1 year	3.52%	-
Total	**/**	**1,513,495,155.03**	**/**	**98.11%**	**-**

3. Long-term equity investment

Item	31 December 2016			31 December 2015		
	Book value	Provision for impairment	Net book amount	Book value	Provision for impairment	Net book amount
Subsidiaries	5,298,222,702.65	678,765,149.21	4,619,457,553.44	5,421,798,100.36	678,765,149.21	4,743,032,951.15
Joint ventures and associates	4,661,015,576.66	-	4,661,015,576.66	1,978,786,046.22	-	1,978,786,046.22
Total	9,959,238,279.31	678,765,149.21	9,280,473,130.10	7,400,584,146.58	678,765,149.21	6,721,818,997.37

(1) Investment in subsidiaries

investee	Balance at 31 December 2015	Additional injection	Investment cost recovered	Disposal	Balance at 31 December 2016	Cash dividend declared	Impairment provided at 31 December 2016
Airport-Heao Eastern Company	820,681,839.52	-	96,381,881.32	-	724,299,958.20	260,434,436.39	-
Meiguan Company	532,358,498.56	-	2,013,159.29	-	530,345,339.27	11,843,988.82	-
Qinglong Company	164,269,052.70	-	-	-	164,269,052.70	117,201,348.38	-
Advertising Company	3,325,000.01	-	-	-	3,325,000.01	24,633,542.95	-
Mei Wah Company	831,769,303.26	-	-	-	831,769,303.26	-	-
Qinglian Company	1,385,448,900.00	-	-	-	1,385,448,900.00	-	678,765,149.21
Outer Ring Company	100,000,000.00	-	-	-	100,000,000.00	-	-
Investment Company	380,000,000.00	-	-	-	380,000,000.00	38,000,000.00	-
Environment Company	500,000,000.00	-	-	-	500,000,000.00	-	-
Consulting Company (a)	25,180,357.10	13,935,361.97	-	39,115,719.07	-	1,375,925.30	-
Total	**4,743,032,951.15**	**13,935,361.97**	**98,395,040.61**	**39,115,719.07**	**4,619,457,553.44**	**453,489,241.84**	**678,765,149.21**

XIV. Notes to the Company's financial statements (continued)

3. Long-term equity investment (continued)

(1) Investment in subsidiaries

a. In the year 2016, the Company lost the control on the Consulting Company, resulting in conversion from cost method to equity method on the Company's financial statement, which increased the undistributed profit amounting to RMB 8,861,869.51 and the investment income at equity method amounting to RMB 5,073,492.46.

(2) Investment in joint ventures and associates

The detailed information of joint ventures and associates are set out in Note V.12. Expect for the investment in joint venture company named Gansu Provincial Highway Aviation Tourism Consulting Company and associate company named Guizhou Hengtongli Property Company, other Investments in joint ventures and associates are directly held by the Company.

4. Capital surplus

2016	31 December 2015	Addition	Reduction	31 December 2016
Share premium	2,315,587,934.74	-	2,279,838.32	2,313,308,096.42
Total	**2,315,587,934.74**	**-**	**2,279,838.32**	**2,313,308,096.42**
2015	31 December 2014	Addition	Reduction	31 December 2015
Share premium	2,315,587,934.74	-	-	2,315,587,934.74
Total	**2,315,587,934.74**	**-**	**-**	**2,315,587,934.74**

Please refer to Note V.12(5) for the details of change for the period.

5. Undistributed profit

Item	2016	2015
Undistributed profits at the beginning of the year	3,517,605,270.46	4,217,315,471.69
Add: Undistributed profits at the beginning of the year	1,153,244,646.93	312,929,383.85
Other adjustment	8,861,869.51	-
Less： Appropriation for statutory surplus reserve	115,324,464.69	31,292,938.38
Dividends payable	741,461,910.84	981,346,646.70
Undistributed profits at the end of the year	3,822,925,411.37	3,517,605,270.46

Please refer to Note XIV.3(1)(a) for other adjustment.

XIV. Notes to the Company's financial statements (continued)

6. Revenue and costs of services

Item	31 December 2016		31 December 2015	
	Revenue	Cost	Revenue	Cost
Main businesses	1,284,475,356.04	458,284,001.08	1,199,206,996.97	467,183,895.96
Other businesses	124,786,182.52	120,232,501.02	72,576,786.25	33,381,804.17
Total	**1,409,261,538.56**	**578,516,502.10**	**1,271,783,783.22**	**500,565,700.13**

7. Investment income

Item	2016	2015
Investment income from long-term equity investments under cost method	453,489,241.84	382,772,451.95
Investment income from long-term equity investments under equity method	312,416,068.38	247,973,476.09
Investment income from financial assets available-for-sale	38,200,000.00	3,000,000.00
Investment income from financial products	13,548,897.86	-
After the loss of control, the remained equity measured at fair value	4,631,456.93	-
Total	**822,285,665.01**	**633,745,928.04**

XV. Supplementary information

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

Item	Amount	Note
Gain on change in the fair value of the foreign exchange swap business	74,991,317.77	To lock the exchange rate risk, the Group entered into foreign exchange swap businesses for the bond with principal value of 300 million dollar, and related gains on change in fair value were recognized during the current period.
Income from entrusted management services	66,479,849.06	Income from entrusted management services provided to Coastal Company and Longda Company in current period.
Gain on disposal of non-current assets	52,828,171.39	Gain on transfer of all of the equity and debt of Guizhou Pengbo and 51% equity of Guizhou Hengtongli.
Gain on revaluation of remaining equity at fair value after losing control	21,304,871.82	Gain on revaluation of the remaining 49% equity of Guizhou Hengtongli and 24% equity of Consulting Company at fair value.
The amortization of compensation provided by concession grantor	21,404,863.52	The amortization of compensation to Yanpai Expressway and Yanba Expressway provided by concession grantors recognized in current period according to traffic volume method which disclosed as a deduction of the amortization of the related concession intangible assets.
Income from financial products	15,553,550.02	
Interest reversal from the compensation resulted from the toll adjustment of Meiguan Expressway	-3,779,327.51	
Adjustment to the compensation resulted from the toll adjustment of Meiguan Expressway	-26,760,000.00	
Other profit or loss items that meet the definition of non-recurring profit or loss	3,857,688.30	
Impact of income tax	-41,144,653.59	
Impact of minority interests	-20,100,057.77	
Total	**164,636,273.01**	

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 arising 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.

XV. Supplementary information (continued)

2. Return on net assets and earnings per share

2016

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	9.35%	0.536	0.536
Net profit after deducting non-recurring profit or loss attributable to ordinary owners of the Company	8.08%	0.461	0.461

2015

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