SHENZHEN EXPRESSWAY COMPANY LIMITED

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 600548 (SSE) 00548 (HKEx))

深高速

2017
Annual Report

Cautionary Statement in relation to Forward-looking Statement:

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

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

Member of Shenzhen International Holdings Limited

Contents

Definition and Cautionary Statement

I. Definition

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

Reporting Period, Period, Year	For the twelve months ended 31 December 2017.
Reporting Date	The date on which this Annual Report 2017 of the Company is approved by the Board, i.e. 23 March 2018.
YOY	Year-on-year change rate as compared to the same period of 2016.
The Company, Company, Shenzhen Expressway	Shenzhen Expressway Company Limited.
The Group, Group	The Company and its consolidated subsidiaries.
A Shares	Renminbi-denominated ordinary shares of the Company which were issued in the PRC and subscribed in RMB and are listed on SSE.
H Shares	Overseas-listed foreign shares of the Company which were issued in Hong Kong and subscribed in HK$ and are listed on HKEx.
CSRC	China Securities Regulatory Commission.
SFC	Securities and Futures Commission of Hong Kong.
SSE	The Shanghai Stock Exchange.
HKEx	The Stock Exchange of Hong Kong Limited.
Hong Kong	Hong Kong Special Administrative Region of the PRC
Listing Rules	The Rules Governing the Listing of Securities on HKEx and/or the Rules Governing the Listing of Stocks on SSE (as the case may be).

CASBE	The Accounting Standards for Business Enterprises (2006) of the PRC and the specific accounting standards as well as relevant provisions issued later.
Shenzhen SASAC	深圳市人民政府國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of Shenzhen Municipal People's Government).
Transport Commission	深圳市交通運輸委員會 (The Transport Commission of Shenzhen Municipality).
SIHCL	深圳市投資控股有限公司 (Shenzhen Investment Holdings Company Limited).
Shenzhen International	Shenzhen International Holdings Limited.
SZCDGC	深圳市特區建設發展集團有限公司(Shenzhen SEZ Construction Development Group Co., Ltd.).
XTC Company	新通產實業開發(深圳)有限公司 (Xin Tong Chan Development (Shenzhen) Company Limited), formerly known as 深圳市高速公路開發公司 (Shenzhen Freeway Development Company Limited).
SGH Company	深圳市深廣惠公路開發有限公司(Shenzhen Shen Guang Hui Highway Development Company Limited), formerly known as 深圳市深廣惠公路開發總公司 (Shenzhen Shen Guang Hui Highway Development Company).
CMET	招商局公路網路科技控股股份有限公司 (China Merchants Expressway Network & Technology Holdings Co.,Ltd.), formerly known as 招商局華建公路投資有限公司 (China Merchants Hua Jian Highway Investment Co., Ltd.).
GDRB Company	廣東省路橋建設發展有限公司(Guangdong Roads and Bridges Construction Development Company Limited).
Shenzhen International (Shenzhen)	深國際控股(深圳)有限公司 (Shenzhen International Holdings (SZ) Limited), formerly known as 怡萬實業發展(深圳)有限公司 (Yiwan Industry Development (Shenzhen) Company Limited).

Definition and Cautionary Statement

Industrial Fund Management Company	Shenzhen Expressway (Guangzhou) Industrial Investment Fund Management Co. Ltd.
Vanke	China Vanke Co., Ltd.
Three Projects	Nanguang Expressway, Yanpai Expressway and Yanba Expressway (the Three Projects). On 30 November 2015, the Company entered into the Three Expressways agreement with the Shenzhen Transport Commission in relation to the toll adjustment of the Three Projects.
Bank of Guizhou	Guizhou Bank Corporation Limited.
Longda Company	深圳龍大高速公路有限公司 (Shenzhen Longda Expressway Company Limited).
Coastal Company	深圳市廣深沿江高速公路投資有限公司 (Shenzhen Guangshen Coastal Expressway Investment Company Limited).
Meiguan Expressway	The expressway from Meilin to Guanlan in Shenzhen City. The ***Toll Free Section of Meiguan Expressway*** refers to the section from Meilin to Guanlan with a mileage of approximately 13.8 km, which has become toll-free from 24:00 on 31 March 2014. The ***Toll Section of Meiguan Expressway*** refers to the section from Shenzhen-Dongguan border to Guanlan with a mileage of approximately 5.4 km which remains collection of toll.
Jihe Expressway	The expressway from Shenzhen International Airport to He'ao in Shenzhen City, comprising ***Jihe East*** (Qinghu to He'ao) and ***Jihe West*** (Airport to Qinghu).
Yanba Expressway	The expressway from Yantian to Bagang in Shenzhen City, comprising ***Yanba A*** (Yantian to Xichong), ***Yanba B*** (Xichong to Kuichong) and ***Yanba C*** (Kuichong to Bagang), with a total toll mileage of 29.1 km. From 0:00 on 7 February 2016, it has been operated by card access with the toll exempted.
Yanpai Expressway	The expressway from Yantian to Paibang in Shenzhen City, also referred to as Yantian Subsidiary Road of Jihe Expressway, with a toll mileage of 15.6 km. From 0:00 on 7 February 2016, it has been operated by card access with the toll exempted.

Nanguang Expressway	The expressway from Xili to Gongming in Shenzhen City, with a toll mileage of 31 km. From 0:00 on 7 February 2016, it has been operated by card access with the toll exempted.
Shuiguan Expressway	The expressway from Shuijingcun to Guanjintou in Shenzhen City.
Shuiguan Extension	An extension to Shuiguan Expressway, Phase I of ***Qingping Expressway*** (the expressway from Yulongkeng to Pinghu in Shenzhen City).
Outer Ring Project	The project of Shenzhen section of Outer Ring Expressway in Shenzhen City (***Outer Ring Expressway***), among which, the section from the north side of Shenzhen Waterlands Resort in Bao'an District (connecting with Coastal Expressway) to the interchange of Shenshan Expressway in Longgang District (excluding Dongguan section) referred to as ***Section A of Outer Ring.***
Coastal Project	The section from Nanshan, Shenzhen to Dongbao River (the boundary between Dongguan and Shenzhen) (***Coastal Expressway (Shenzhen Section)***) of the coastal expressway from Guangzhou to Shenzhen (***Coastal Expressway***). Among which, the project of main line of Coastal Expressway (Shenzhen Section) and facilities referred to as ***Coastal Phase I***, and the project of the ramp bridge of airport interchange of Coastal Expressway (Shenzhen Section) and facilities referred to as ***Coastal Phase II***.
Longda Expressway	The expressway from Longhua, Shenzhen to Dalingshan, Dongguan.The Shenzhen Section of Longda Expressway (namely, the 23.8 km section from Longda Shenzhen to Nanguang ramp) was operated by card access from 0:00 on 7 February 2016 with toll exemption.
Qinglian Expressway	The expressway from Qingyuan to Lianzhou, with a toll mileage of 216 km.
Yangmao Expressway	The expressway from Yangjiang to Maoming.
Guangwu Project	The section from Ma'an to Hekou of the expressway from Guangzhou, Guangdong to Wuzhou, Guangxi (***Guangwu Expressway***).
Jiangzhong Project	The expressway from Zhongshan to Jiangmen and the second phase of the expressway from Jiangmen to Heshan.

Definition and Cautionary Statement

GZ W2 Expressway	The section from Xiaotang to Maoshan of Guangzhou Ring Expressway, also referred to as Guangzhou Western Second Ring Expressway.
Wuhuang Expressway	The expressway from Wuhan to Huangshi.
Changsha Ring Road	Changsha Ring Expressway (Northwestern Section).
Nanjing Third Bridge	Nanjing Yangtze River Third Bridge.
Flywheel Investments	輝輪投資有限公司 (Flywheel Investments Limited), a wholly-owned subsidiary of SZ International.
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.***
Yichang Project	The expressway from Yiyang to Changde in Hunan (***Yichang Expressway***) and Changde connection line.
Longda Project	The entrusted management of 89.93% equity interests in Longda Company by the Company, including the daily operation management of ***Longda Expressway***.
Nanping Project	The management of the construction project of Shenzhen Nanping Freeway undertaken by the Company, including ***Nanping Phase I*** and ***Nanping Phase II*** (comprising section A and section B).
Longda Municipal Section	The management of the construction project of the municipal facilities of Dalang Section of Longda Expressway undertaken by the Company.
Cargo Organisation Adjustment 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 organisation adjustment of Shenzhen.

Dezheng Road Project	The management of the construction project of interchange connecting Dezheng Road and Longda Expressway and the east extension of Dezheng Road which located in Shenzhen Longhua New Area undertaken by the Company.
Renmin Road Joint Project	The management of the construction project of interchange connecting Renmin Road and Meiguan Expressway undertaken by the Group.
Houmen Comprehensive Resettlement Building Project	The management of the construction project of Houmen Comprehensive Resettlement Building of Shenshan Special Cooperation Zone undertaken by the Group.
Guilong Project	The construction project of phase I of Guilong Road in Longli, Guizhou by BT mode and the primary development project of relevant land undertaken by the Group.
CCCC Second Highway	CCCC Second Highway Engineering Co.,Ltd.
Duohua Bridge Project	A road construction project from Jichang Village to Duohua Village in Longli County undertaken by Guishen Company and CCCC Second Highway Engineering Co., Ltd. as a consortium by BT model. The major word of the project is Duohua Bridge.
Guilong Holdings	Guizhou Guilong Holdings (Group) Company Limited.
Resettlement Project	The management of the construction project of Wangguan Comprehensive Resettlement Building of Guilong Economic Zone undertaken by the Group in Longli, Guizhou, comprising ***Resettlement phase I*** and ***Resettlement phase II***.
Guizhou Property	Guizhou Shenzhen Expressway Property Company Limited.
Guizhou Hengtongli	Guizhou Hengtongli Property Company Limited.
Guizhou Yuelong	Guizhou Yuelong Investment Company Limited.
Guizhou Hengfengxin	Guizhou Hengfengxin Property Company Limited.

Definition and Cautionary Statement

Guizhou Henghongda	Guizhou Henghongda Property Company Limited.
Guizhou Yehengda	Guizhou Yehengda Property Company Limited.
Entrusted Construction Project on Hengwu Road and Hengliu Road	The entrusted construction project in Shuanglong Services Cluster, Hengwu Road and Hengliu Road, Longli County, Guizhou undertaken by the Group.
Entrusted Construction Project of Guizhou Logistics Harbor by Shenzhen International	The entrusted construction project of Guizhou Integrated Logistics Harbor undertaken by the Group with investment from Shenzhen International.
Guilong Land	The peripheral land of Guilong Project which were successfully bid by the Group. The area of the land was approximately 2,655 mu (approximately 1,770,000 square meters) as at the date of this report, among which the area of, Guilong Project Parcel No. I is approximately 1,000 mu.
Guilong Development Project	The secondary independent property development project conducted by the Group on Guilong Project Parcel No. I, which has been approved by the Board of Directors.
Meilin Checkpoint Renewal Project	Shenzhen Longhua New Area Mingzhi Office Meilin Checkpoint Renewal Project, the entity which carried out the project is United Land Company and area of the land is approximately 96,000 square meters.
Water Planning Company	深圳市水務規劃設計院有限公司 (Shenzhen Water Planning & Design Institute Company Limited).
Derun Environment	重慶德潤環境有限公司 (Chongqing Derun Environment Company Limited).
Water Asset	重慶市水務資產經營有限公司 (Chongqing Water Asset Management Company Limited).
PPP (model)	Public-Private-Partnership model, 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 model 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:

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

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

Definition and Cautionary Statement

II. Cautionary Statement on Risk

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

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

Introduction of the Company

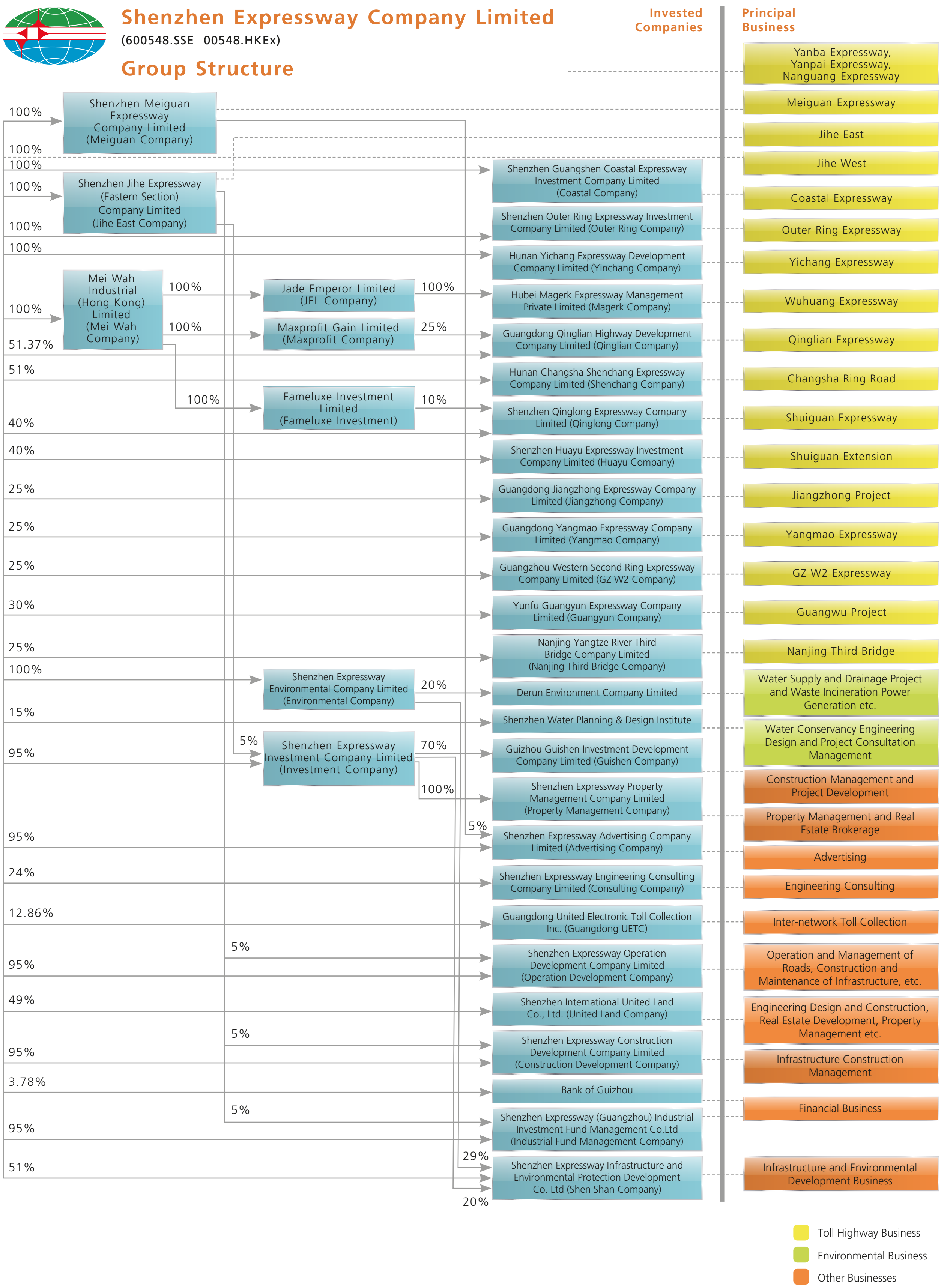
The Company was incorporated in Shenzhen on 30 December 1996. It principally engages in the investment, construction, operation and management of toll highways and roads, as well as other urban and transport infrastructure. At present, other urban infrastructure mainly refers to the further environmental protection business areas including water environmental remediation and solid waste treatment. In addition, the Company provides outstanding construction management and highways operation management services for government and other enterprises. Building on relevant management experience and resources and relying on the core business of toll highways, the Company has launched in the related businesses such as project development and management, advertising, construction consulting, inter-network toll collection and financing.

As of the date of this report, the Company operated and invested in a total of 19 toll highway projects, and the mileage of the high-grade highways invested in or operated by the Company (on equity basis) is approximately 622 km, of which 65.7 km is still under construction. It also participated in 2 regional urban infrastructure development projects, invested in 4 environmental protection and financial projects, and had 5 platform companies, namely the Investment Company, the Construction Development Company, the Operation Development Company, the Environmental Company and the Advertising Company.

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

Introduction of the Company

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



Financial and Operational Highlights

I. Financial Data and Financial Indicators of the Year

Item (Unit: RMB)	2017	2016	Change as compared to last year (%)	2015
Revenue	**4,836,620,833.89**	4,532,209,156.54	6.72	3,420,578,335.19
Net profit attributable to owners of the Company	**1,426,402,801.01**	1,169,353,230.77	21.98	1,552,656,397.24
Net profit attributable to owners of the Company – excluding non-recurring items	**1,468,896,951.98**	1,004,716,957.76	46.20	527,396,785.06
Net cash flows from operating activities	**2,660,705,790.47**	2,126,610,026.45	25.11	1,771,505,130.32

Item (Unit: RMB)	As at 31 Dec 2017	As at 31 Dec 2016	Change as compared to last year (%)	As at 31 Dec 2015
Owners' equity attributable to owners of the Company	**13,618,079,670.58**	12,674,475,959.27	7.44	12,368,892,973.17
Total assets	**37,473,826,542.60**	32,384,844,447.16	15.71	31,670,655,088.41

Item	2017	2016	Change as compared to last year (%)	2015
Earnings per share – basic (RMB/share)	**0.654**	0.536	21.98	0.712
Earnings per share – diluted (RMB/share)	**0.654**	0.536	21.98	0.712
Earnings per share excluding non-recurring items – basic (RMB/share)	**0.674**	0.461	46.20	0.242
Return on equity – weighted average (%)	**10.88**	9.35	Increase 1.53 pct.pt	12.94
Return on equity excluding non-recurring items – weighted average (%)	**11.19**	8.08	Increase 3.11 pct.pt	4.39

II. Financial Data of the quarter mainly for 2017

Item (Unit: RMB)	The first quarter (Jan-Mar)	The second quarter (Apr-Jun)	The third quarter (Jul-Sept)	The fourth quarter (Oct-Dec)
Revenue	1,031,335,701.38	1,077,049,316.60	1,262,257,694.61	1,465,978,121.30
Net profit attributable to owners of the Company	348,594,683.94	393,136,154.19	469,219,394.24	215,452,568.64
Net profit attributable to owners of the Company – excluding non-recurring items	327,208,861.65	386,322,266.04	488,941,836.01	266,423,988.29
Net cash flows from operating activities	582,743,235.20	579,418,951.14	885,860,423.65	612,683,180.48

Financial and Operational Highlights

III. Non-recurring items deducted and their amounts

Non-recurring item (Unit: RMB)	2017	Notes	2016	2015
The net income of trustee fee on entrusted operation	**30,907,924.54**	Entrusted operation and management on the entrusted operation net income of trustee fee of Coastal Phase I and Longda expressway	66,479,849.06	17,778,666.66
Gain on fair value revaluation of the stake post business combinations not involving entities under common control	**27,504,389.73**	Shenchang Company was consolidated into the Group as an entity which is not under common control, and gain on revaluation of the fair value of the equity interest held prior to the acquisition date.	–	904,017,332.82
The amortisation of compensation provided by concession grantor	**23,026,646.05**	This year confirmed the concession granting party received were sent to the company building Yanba, Yanpai etc. post compensation amortization in accordance with traffic laws. On the accounting write-downs showed franchise amortization of intangible assets.	21,404,863.52	19,010,445.80
The gain on investment of financial product	**7,581,799.16**		15,553,550.02	–
Interest income confirmed by the advanced payment of Nanmen River and other projects	**2,209,701.24**		–	–
Loss of swap tools	**-850,968.84**	On 27 July 2017, Forex swap contract signed in 2016 expired and their losses were included in the investment income for the current year	–	–
The Fair value gain/loss on Forex Swap	**-146,363,175.07**	Arranging foreign exchange swap on 300 million USD offshore bonds in order to lock up the foreign exchange risk, due to the appreciation of RMB recognize Fair value gain (loss) on Forex Swap during the Reporting Period.	74,991,317.77	–
The gain on transfer of subsidiaries	**–**		52,828,171.39	–
The gain on fair value revaluation of the remaining stake	**–**		21,304,871.82	–
Interest income on the compensation receivable of toll fee adjustment of Meiguan expressway	**-2,882,469.78**		-3,779,327.51	72,470,804.21
Adjustment on the compensation receivable of toll fee adjustment of Meiguan expressway	**-43,695,332.04**	Adjust compensation receivable according to preliminary settlement of the cost on the reconstruction and extension of Meiguan expressway.	-26,760,000.00	–
The gain or loss on disposal of non-current asset	**24,970,581.93**	Excluding disposal income of non-current assets other than the reduction of losses related to compensation fees from Meiguan Expressway	5,671.56	–
Interest income on the compensation related to toll fee adjustment of the Three Projects	**–**		–	12,019,232.87
Other non-operating income and expenditure excluding above items	**7,205,738.40**		3,852,016.74	36,960,320.11
minority shareholder's interest effects	**-731,183.13**		-20,100,057.77	-2,402,082.54
Income tax effects	**28,622,196.84**		-41,144,653.59	-34,595,107.75
Total	**-42,494,150.97**		164,636,273.01	1,025,259,612.18

IV. Item Measured at Fair Value

Item (Unit: RMB)	Opening Balance	Ending Balance	Amount	Effects on profit
Financial assets at fair value through profit or loss	74,991,317.77	–	-74,991,317.77	-74,991,317.77
Financial liabilities at fair value through profit or loss (Listed as negative numbers)	–	-71,371,857.30	-71,371,857.30	-71,371,857.30
Total	74,991,317.77	-71,371,857.30	-146,363,175.07	-146,363,175.07

V. Statistics Summary for Last Five Years

Average Daily Traffic Volume (Unit: number of vehicles)					
Project	**2017**	2016	2015	2014	2013
Meiguan Expressway[1]	**92,078**	83,211	74,956	84,622	129,769
Jihe East	**270,742**	249,608	219,169	189,586	149,896
Jihe West	**215,315**	202,458	175,533	149,921	123,343
Shuiguan Expressway	**229,537**	227,055	191,354	168,728	155,477
Shuiguan Extension	**105,094**	97,710	75,377	61,655	39,119
Qinglian Expressway	**41,190**	36,753	33,290	33,026	28,344
Yangmao Expressway	**50,142**	45,828	40,485	34,935	31,481
Guangwu Project	**35,479**	40,086	34,792	31,935	27,177
Jiangzhong Project	**142,278**	120,351	107,246	101,183	89,467
GZ W2 Expressway	**71,316**	58,638	50,007	46,205	42,175
Wuhuang Expressway	**50,736**	43,908	40,617	38,891	39,127
Changsha Ring Road	**32,206**	26,279	19,798	16,188	14,015
Nanjing Third Bridge	**32,619**	27,299	26,777	27,665	29,312
Yichang Project[2]	**47,941**	–	–	–	–

Average Daily Toll Revenue (Unit: RMB'000)					
Project	**2017**	2016	2015	2014	2013
Meiguan Expressway[1]	**336.3**	311.3	282.9	413.6	803.1
Jihe East	**1,962.0**	1,767.1	1,745.1	1,614.6	1,328.8
Jihe West	**1,729.4**	1,641.7	1,491.0	1,267.6	1,048.2
Shuiguan Expressway	**1,762.8**	1,692.9	1,537.3	1,385.6	1,297.7
Shuiguan Extension	**314.3**	299.5	253.7	230.8	176.1
Qinglian Expressway	**2,016.5**	1,834.9	1,745.7	2,136.3	1,948.1
Yangmao Expressway	**1,819.5**	1,800.3	1,694.7	1,551.8	1,469.2
Guangwu Project	**832.1**	1,024.8	893.9	802.0	718.5
Jiangzhong Project	**1,249.3**	1,132.6	1,066.6	1,019.2	924.1
GZ W2 Expressway	**1,343.2**	1,073.8	990.3	917.2	824.8
Wuhuang Expressway	**1,004.9**	939.0	908.5	891.0	1,040.4
Changsha Ring Road	**373.4**	311.9	222.8	167.9	143.6
Nanjing Third Bridge	**1,269.7**	1,097.8	1,040.5	1,093.5	1,169.5
Yichang Project[2]	**1,157.3**	–	–	–	–

Financial and Operational Highlights

Note:

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

(2) As the Group completed the acquisition of 100% equity interests in Yichang Company in June 2017, Yichang Company has been consolidated into the consolidated financial statements of the Group since 15 June 2017.

Financial Highlights (Unit: RMB million, unless otherwise stated)					
Item	**2017**	2016	2015	2014	2013
Revenue	**4,837**	4,532	3,421	3,620	3,279
Of which: Toll revenue	**4,285**	3,680	3,014	3,008	2,898
Profit before interests and tax	**2,617**	2,251	2,162	3,499	1,521
Net profit	**1,426**	1,169	1,553	2,187	720
Net cash inflows from operating activities	**2,661**	2,127	1,772	1,794	1,761
Net cash inflows from operating activities and cash return on investments	**3,025**	2,410	1,942	1,889	1,854
Interest covered multiple (Times)	**3.60**	3.56	4.38	6.57	2.44
Earnings per share (RMB)	**0.654**	0.536	0.712	1.003	0.330
Cash dividends per share (RMB)	**0.30 (proposal)**	0.22	0.34	0.45	0.16

Item	**As at 31 Dec 2017**	As at 31 Dec 2016	As at 31 Dec 2015	As at 31 Dec 2014	As at 31 Dec 2013
Total assets	**37,474**	32,385	31,671	24,329	22,840
Total liabilities	**21,699**	17,673	16,710	11,209	11,601
Total equity	**15,775**	14,711	14,961	13,120	11,239
Debt-to-asset ratio (%)	**57.91%**	54.57%	52.76%	46.07%	50.79%
Gross liabilities-to-equity ratio (%)	**137.56%**	120.14%	111.69%	85.43%	103.22%
Net borrowings-to-equity ratio (%)	**97.53%**	59.12%	47.42%	51.78%	73.03%
Net assets per share (RMB)	**6.24**	5.81	5.67	5.41	4.57

• Description of principal financial ratios

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

Events of the Year

December

The Board considered and passed the resolution regarding the acquisition of 100% equity interests in the project company of the Shenzhen section of Guangzhou-Shenzhen Coastal Expressway. Entered into the Acquisition Agreement of Shenzhen Guangshen Coastal Expressway Investment Company Limited with SIHCL. The relevant resolutions regarding the public issue of A share convertible corporate bonds were considered and passed in the general meeting as well as the class meetings of holders of A shares and H shares. Won the "Top 10 Board Governance Award 2017" organised by Shenzhen Research Association of Corporate Governance. Elected the members of the eighth session of the Board and the Supervisory Committee. Set up a regional company "Shenzhen Expressway (Shenzhen-Shanwei Special Cooperation Zone) Infrastructure Environmental Protection Development Company Limited (深高速(深汕特別合作區)基建環保開發有限公司)". Established Shenzhen Expressway (Guangzhou) Industrial Investment Fund Management Company Limited (深高速(廣州)產業投資基金管理有限公司). Hu Wei, the chairman, was named in the third session of the "Top 100 Industry Leaders" list in Shenzhen.

November

The Board considered and passed the resolution regarding the public issue of A share convertible corporate bonds.

Won the "2017 Annual Outstanding Investor Relationship Team Award of Chinese Listed Companies of the Jin Zhi Award".

August

Published 2017 interim results and a net profit of RMB742 was million in recorded the first half of the year.

July

Singed the Corporate Capital Injection Agreement to subscribe for 15% equity interests in the registered capital of Water Planning & Design Institute after capital increase.

Shenzhen Outer Ring Project was overall ranked No. 2 among the projects for highways under construction in Guangdong Province.

June

Signed the shareholders' agreement of Derun Environment.

Established a wholly-owned subsidiary "Shenzhen Expressway Construction and Development Company Limited".

May

Declared and distributed a final dividend of RMB0.22 per share for 2016.

Environmental Company, a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement to acquire 20% equity interests in Derun Environment.

Won the "Most Progress in IR" in the "Third Session of the Investor Relations Awards" organised by Hong Kong Investor Relations Association.

The registered address of the Company changed from Futian District, Shenzhen to Longhua District, Shenzhen.

April

Signed the Transaction Confirmation Letter with Shenzhen United Property And Share Rights Exchange, by which the Company was confirmed as the finalised Type A investor of the Water Planning & Design Institute Capital Increase Project.

March

Published 2016 annual results with a net profit of RMB120 billion and earnings per share of RMB0.536.

January

Signed the Equity Transfer Agreement of Hunan Yichang Expressway Development Company Limited.

Won the "Best Investor Relationship Award" in the "2016 China Financial Market Listed Companies Awards".

Chairman's Statement

To all shareholders,

On behalf of the Board, I am pleased to report to the shareholders that in 2017, the Group recorded revenue of RMB4,837 million, representing a YOY increase of 6.72%, and realised profit of RMB1,426 million with earnings per share of RMB0.654. The Group has always committed itself to creating higher corporate value and has actively implement the profit distribution policy of cash dividend which can balance the long term and short term interests of its investors, at the same time providing promising and sustainable returns to its shareholders. The Board recommended payment of a final dividend of RMB0.30 per share in cash for 2017, accounting to 45.9% of earnings per share. Such recommendation will be submitted to the 2017 Annual General Meeting of the Company and is subject to the shareholders' approval.

Business Review

In 2017, the development of the national economy in the PRC remained stable and advanced in a positive direction, demonstrating high stability and strong resilience. This year is a year for deepening the supply-side structural reform in the PRC with positive progress in quality and efficiency enhancement and accelerated structural adjustment of the economy, which has in turn provided huge rooms for the long term development of the Group. However, against the backdrop of fluctuations in the recovery of the global economy and difficulties of the reform and transformation in the country, there were still quite a number of risks and variables in the external environment.

In light of the opportunities and challenges, Shenzhen Expressway continued to adhere to the idea of sound operation and follow the guidance of "2015-2019 Development Strategies" to seize opportunities and leverage on collective wisdom to work in concerted efforts to consolidate and strengthen its toll highway business on one hand, and determine the new direction for industry development on the other hand. On this basis, the Group has implemented the development strategies for its two core businesses of transport infrastructure and environmental protection and achieved the annual operation targets satisfactorily.

Chairman's Statement

In 2017, the Group completed the acquisition of Yichang Project and implemented the work in relation to the acquisition of Coastal Project (which was approved by the general meeting at the beginning of 2018). The acquisition of these two new projects, adding over 100km of equity mileage to the Group, has provided strong support for the sustainable development of the core business of toll highway in the long run. In terms of project construction management, with quality, cost, safety and schedule of each project as objective, Outer Ring Project and other entrusted construction projects of the Group were carried out smoothly with overall results in line with the expected progress. As for operation management, apart from strengthening daily management over aspects such as services, marketing and maintenance, the Group also rides on the trend of rapid development of information technology to actively push forward the study and application of intelligent transportation to enhance user experience and internal management standard.

The Group took a major step for expansion of environmental protection business in 2017. Capitalising on the opportunities arising from the capital increase of Water Planning Company and the public trading of Derun Environment on Shenzhen United Property And Share Rights Exchange, the Group successfully acquired 15% equity interests in Water Planning Company and 20% equity interests in Derun Environment through market competition. Since both Water Planning Company and Derun Environment were leading companies in the environmental protection segment in their respective regions, the Group would thus be able to create synergistic effect in the industry by entering the sector from a high starting point and working with the industry leaders, thereby laying a solid foundation for in-depth cooperation in the future.

In 2017, following a comprehensive assessment of the situations, the Group studied financial policies and instruments to reduce the financial cost, and at the same time, properly allocated the Group's financial resources according to its actual situation and capital needs. The Group has always maintained good cooperation relationship with other banks and enterprises, abundant reserve of banking facilities and good credit ratings to ensure soundness of capital structure and financial safety of the Group. The Group is still actively pushing forward the work in relation to the public issuance of A Share Convertible Corporate Bonds of not more than RMB2.2 billion, which has now been approved by the general meeting and is in the process of preparing application documents.

In order to achieve the strategic goal of transformation and upgrade, the Group adhered to the marketisation, specialisation and industrialisation-oriented direction to adjust and consolidate its internal organisation structure and functions. As a result, five business platforms, namely investment, environmental protection, operation, construction and advertising, were established gradually. Through these five platform companies, the Group will give full play to its competitive advantages to extend its business scope to the upstream and downstream of the industrial chain so as to create greater rooms for the development of the Group's operation.

Future Outlook

As pointed out by the report of the 19th CPC National Congress, the national economy has shifted from the phase of rapid growing to high-quality development and is now in a pivotal period for transforming its growth model, improving economic structure and switching growth drivers. Looking forward, it is expected that the Chinese economy will continue to maintain a growth rate between 6.5% to 7% and further deepen the transformation and upgrade. With the advance of urbanisation and rising living standard of people, the demand for infrastructure, including urban transport infrastructure and environmental protection infrastructure, by the society will continue to grow.

In respect of urban transport infrastructure industry, we are of the view that against the backdrop of long-term stable development of the national economy and continuous growth of demand for transport infrastructure by the society, the toll highway industry will still enjoy great room for development. However, under the traditional BOT ("built-operate-transfer") model, along with the increasing of construction cost, especially land acquisition and demolition cost and operation cost, there is decreasing number of project with commercial investment values among the new construction projects. The Group will adopt various strategies to adapt to such development environment in the industry: Firstly, the Group will fully leverage the Company's core competitiveness in terms of innovative business model to duly negotiate with local governments so as to study and explore cooperation model that can satisfy the requirement of the transportation planning of the government and provide satisfactory commercial returns to enterprises at the same time. Secondly, the Group will actively cooperate with financial investors to combine their industry experience with sources of capital so as to achieve industry-finance integration and seek business opportunities in aspects such as project cooperation and equity transfer. Thirdly, the Group will fully leverage the industry experience of the Company to cooperate with local governments or other business partners so as to make the best use of its strengths and bypass its weaknesses to develop the relevant upstream and downstream industry such as construction management, operation management, as well as design and construction of urban transport infrastructure.

Environmental protection industry is the second core business of the Group, which is a strategic choice of the Group after comprehensive consideration of the compatibility of the development trend of the industry and its own strengths. Specifically, the Group currently mainly focuses on water environment remediation and solid waste treatment. After adequate assessment, it is considered that the Group enjoys certain advantages in terms of cooperation with government, fund raising and project construction when entering into the environmental protection industry. However, it still has inadequacies in respect to technical experience and talent cultivation. The Group's strategy to cooperate with industry leaders in the sub-sector and participate by way of acquiring equity interests not only can bring normal commercial returns, but can also expedite the accumulation of technical experience and cultivation of professional talents by learning from the high standards and stringent requirements of industry benchmark, at the same time complementing each other and achieving synergy by bringing their respective advantages into full play, which will facilitate the commencement of in-depth cooperation during the expansion into other relevant businesses and provide broader rooms for business development for both parties.

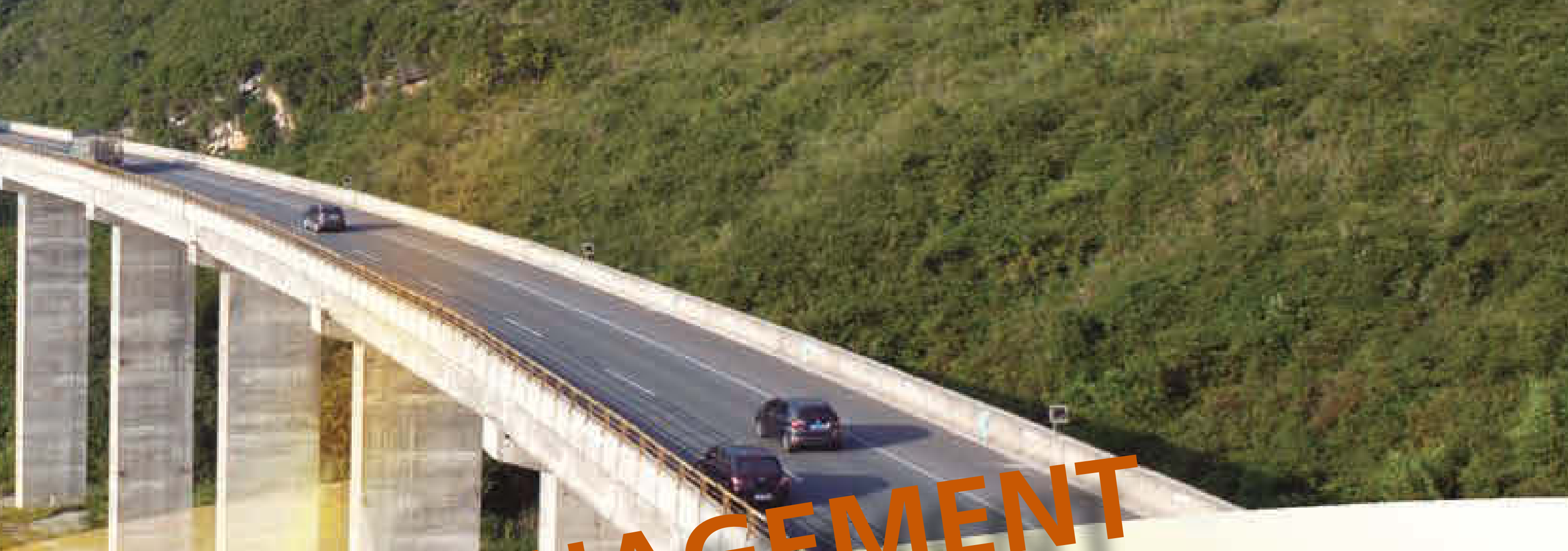
Looking ahead, in view of the general requirement to prevent financial risks and "deleverage", it is expected that the government will continue to adopt a stable or moderately tightening monetary policy, resulting in control over total money supply on one hand and rising borrowing cost on the other hand. In addition, the monetary policy will be consolidated and coordinated based on other macroeconomic policies. The Group also believes that in order to meet the economically reasonable capital requirements of enterprises, the adjustment of monetary policy will be a process that can balance current and future, as well as overall and local needs. During this process, the Group will make reasonable planning and arrangement for each of the capital reserve and financing plans and consolidate the overall capital requirements to ensure the financial safety of the Group.

Acknowledgements

2018 is the first year of the eighth session of the Board of the Company. On behalf of the Company and the new session of the Board, I would like to take this opportunity to express my gratitude to all members of the seventh session of the Board and Supervisory Committee of the Company for their hard work, contribution and support, especially the valuable contribution by Mr. Zhao Jun Rong, Mr. Tse Yat Hong, Mr. Au Sing Kun, Mr. Lin Chu Chang, Mr. Hu Chun Yuan, Mr. Zhong Shan Qun and Mr. Liang Xin during their respective term of service, all of whom already leaved their position.

Meanwhile, I would also like to express my thanks to all staff for their hard work and dedication, to all investors, customers, business partners and friends of community for their trust and support. With the efforts and supports of everyone, Shenzhen Expressway would thus be able to inherit the past and open up the future to create a new era of success.

HU Wei
Chairman
Shenzhen, the PRC, 23 March 2018



MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis

WU YA DE
President

In order to achieve the Company's strategic goal of transformation and upgrading, in addition to upgrading and consolidating the core business of toll highway, the Group adheres to a market-oriented, specialised and industrialised approach to adjust and integrate its internal organisational structure and functions. It has gradually established various business platforms for investment, environmental protection, operation, construction and advertising, which include the Investment Company, a company principally engages in the business of expanding infrastructure construction market as well as joint comprehensive development of land; the Operation Development Company, a company principally engages in the provision of highway operation and maintenance management services; the Environmental Company, a company principally engages in the expansion of businesses relating to the environmental protection industry; the Construction Development Company, a company principally engages in the provision of project construction management services; and the Advertising Company, a company principally engages in the advertising resources rental and development business. Through the aforesaid platform companies, the Group will give full play to its own competitive advantages in operation of infrastructure as well as infrastructure management and integrated management, so as to expand its business sectors to construction and operation services of urban and transport infrastructure and joint comprehensive development of land. The Group will also actively extend its business scope to the upstream and downstream of the industrial chain and develop transportation planning, design consulting, operation maintenance, intelligent transportation system, advertising service, finance and other service-oriented businesses. In addition, the Group prudently seeks opportunities for cooperation with leading and branded enterprises in the environmental protection industry to enter the relevant environmental protection business sector from a high starting point, thereby gradually developing the Group's professional competitive strengths in certain environmental protection segments and striving for greater rooms for the development of the Group's operation.

I. Business Review

At 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 the relevant management experiences and resources and relying on its core business, the Group has launched businesses such as project development and management as well as environmental protection, advertising, engineering consulting, inter-network toll collection and financial businesses, etc. The principal business of the Group is set out as follows:

Shenzhen Expressway Company Limited

Toll Highway Business

Shenzhen region:

◆ Meiguan Expressway	100%
◆ Jihe East	100%
◆ Jihe West	100%
◆ Yanba Expressway	100%
◆ Yanpai Expressway	100%
◆ Nanguang Expressway	100%
◆ Coastal Project	100%
◆ Shuiguan Expressway	50%
◇ Shuiguan Extension	40%
◆ Outer Ring Project	100%

Other regions in Guangdong Province:

◆ Qinglian Expressway	76.37%
◇ Yangmao Expressway	25%
◇ Guangwu Project	30%
◇ Jiangzhong Project	25%
◇ GZ W2 Expressway	25%

Other Provinces in the PRC:

◆ Wuhuang Expressway	100%
◆ Changsha Ring Road	51%
◆ Yichang Project	100%
◇ Nanjing Third Bridge	25%

Entrusted management and other infrastructure development

Project development and management

Environmental protection business

Other businesses

- Advertising
- Engineering consulting
- Inter-network toll collection
- Financial business

Icon:
◆ Consolidated project
◇ Non-consolidated project

In 2017, 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 RMB4,837 million, representing a YOY increase of 6.72%, of which toll revenue of approximately RMB4,285 million, entrusted management services revenue of approximately RMB103 million, real estate development revenue of approximately RMB317 million, advertising and other business revenue of approximately RMB131 million accounted for 88.59%, 2.13%, 6.56% and 2.72% of the total revenue of the Group, respectively.

Management Discussion and Analysis

(I) Toll Highway Business

1. Analysis of Operating Environment

(1) Operating environment

During 2017, the global economy recovered steadily, while the Chinese economy remained a stable growth under the implementation of various initiatives, including the continuous optimisation of industrial structure, acceleration of reforms of traditional industries and promotion of new economic development in China. The GDP recorded a YOY growth of 6.9% throughout the year, with a higher growth rate as compared to the last year. During the year, the regional GDP of Guangdong Province and Shenzhen were RMB8.99 trillion and RMB2.24 trillion, representing a YOY growth of 7.5% and 8.8% respectively, which were higher than the national average. The regional economy remained active, which was conducive to the general growth of the regional transportation and logistics demand via highway. During 2017, benefited from the recovery of global trade and foreign export trade, the container throughput at Shenzhen ports recorded a decade high at approximately 25 million TEUs, representing a YOY increase of 5.3%, of which the container throughput of Yantian Port amounted to 14.03 million TEUs, representing a YOY increase of 7.73%, thus producing a positive 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 environments, the Group's overall operational performance in toll highway projects 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 2017.

Based on the original toll-by-weight policy for trucks, the Provisions on the Administration of Use of Roads by Overloaded Transportation Vehicles (Order of the Ministry of Transport 2016 No. 62) (the "Administrative Provisions") have been implemented nationwide starting from late September 2016. The new Administrative Provisions set more stringent determination criteria for over-limit and overload with more serious penalties. For illegal behaviours relating to oversize and overweight, financial penalties will be imposed depending on the nature, scenario and damage of such illegal behaviours. Where a criminal offence is constituted, the offenders will be pursued for criminal liabilities according to the laws. Meanwhile, related departments will establish credit record for over-limit and overload behaviours and a joint working mechanism for law enforcement, pursuant to which joint punishments will be imposed on good carriers who committed serious offences in relation to over-limit or overload. The implementation of the new Administrative Provisions has a negative impact on traffic volume of trucks and toll revenue of the Group. However, it has a positive effect on the comprehensive governing of over-limit and overloaded vehicles, maintaining the safety of roads and bridges, decreasing the number of traffic accidents, reducing highway maintenance fee and lengthening the useful life of highways.

In recent years, in order to promote structural reform of supply side and facilitate the reduction of costs and improvement of efficiency in the logistics industry, some provinces have implemented preferential toll policies successively to provide different range of discounted rates for legally loaded trucks by using electronic payment method. Such policies have varied effects on toll revenues of the Group's toll highway projects in different regions. From 00:00 on 1 July 2017, Guangdong Province has implemented a preferential policy (the "Preferential Policy") by offering a 15% discount on truck toll for 43 expressways in the province, provided that the prevailing basic toll rate and charging rules of centralised toll collection for freight vehicles remain unchanged. Since the highway projects under the Group have not currently been included in the implementation scope of the Preferential Policy, there has been no effect on toll revenue of the Group. The Group will closely monitor the development trend of the policies, and maintain a positive and effective communication with the government with a view to safeguarding the interests of the Company and shareholders. Moreover, the Standardisation Scheme implemented by Guangdong Province and the nationwide policies of Toll Free Scheme on Holidays and Green Passage Toll Free Policy in recent years still posed negative impact on toll revenues of the projects. However, the impact on YOY changes of projects' revenues has been eliminated generally.

2. Business Performance and Analysis

During 2017, the traffic volume and toll revenue of most of the highway projects in which the Group operated and invested continued to grow. Basic operational statistics of each project during the Reporting Period are as follows:

	Average daily mixed traffic volume (number of vehicles in thousand)[1]			Average daily toll revenue (RMB'000)		
Toll highway	**2017**	2016	YOY	**2017**	2016	YOY
Guangdong Province – Shenzhen Region:						
Meiguan Expressway[2]	**92**	83	10.7%	**336**	311	8.0%
Jihe East	**271**	250	8.5%	**1,962**	1,767	11.0%
Jihe West	**215**	202	6.4%	**1,729**	1,642	5.3%
Shuiguan Expressway	**230**	227	1.1%	**1,763**	1,693	4.1%
Shuiguan Extension	**105**	98	7.6%	**314**	300	4.9%
Guangdong Province – Other Regions:						
Qinglian Expressway	**41**	37	12.1%	**2,017**	1,835	9.9%
Yangmao Expressway	**50**	46	9.4%	**1,819**	1,800	1.1%
Guangwu Project	**35**	40	-11.5%	**832**	1,025	–18.8%
Jiangzhong Project	**142**	120	18.2%	**1,249**	1,133	10.3%
GZ W2 Expressway	**71**	59	21.6%	**1,343**	1,074	25.1%
Other Provinces in the PRC:						
Wuhuang Expressway	**51**	44	15.6%	**1,005**	939	7.0%
Yichang Project[4]	**48**	N/A	N/A	**1,157**	N/A	N/A
Changsha Ring Road[5]	**32**	26	22.6%	**373**	312	19.7%
Nanjing Third Bridge	**33**	27	19.5%	**1,270**	1,098	15.7%

Note:

(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) 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.

(4) As the Group completed the acquisition of 100% equity interest in Yichang Company in June 2017, Yichang Company has been consolidated into the consolidated financial statements of the Group since 15 June 2017.

(5) Shenchang Company has been included into the consolidated financial statements of the Group since 1 April 2017. The main business of Shenchang Company is operation and management of Changsha Ring Road.

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

Management Discussion and Analysis

(1) Guangdong Province – Shenzhen Region

During the Reporting Period, the total toll revenue of toll highway projects of the Group in Shenzhen region recorded a YOY growth. With the continuous improvement of the transportation network in Shenzhen, coupled with the cancellation of toll collection of certain expressways and local roads, the traffic distribution and composition of the road network in Shenzhen have also changed. After the adjusted toll collection scheme on the Meiguan Expressway was implemented in April 2014, toll-free section of Meiguan Expressway not only stimulated the growth of traffic volume of the toll section itself, but also promoted the operational performance of the connecting Jihe Expressway. Toll-free policy has been implemented for Yanpai Expressway, Yanba Expressway and Nanguang Expressway from 00:00 on 7 February 2016. The Company calculates and recognises revenues from these highway projects according to the method specified in the agreement. The growth of traffic volume of these toll-free projects also drove the traffic growth of the connecting Jihe Expressway and Shuiguan Expressway. In addition, the Provisions on the Administration of Use of Roads by Overloaded Transportation Vehicles has been implemented nationwide since late September 2016. The implementation of such policy has caused negative impact on the freight volume and toll revenue of Jihe Expressway and Shuiguan Expressway.

(2) Guangdong Province – Other Regions

The economic growth in the areas along the expressways and the toll-by-weight policy for trucks can help boosting the operational performance of Yangmao Expressway. However, the implementation of stringent policy governing over-limit and overloaded vehicles poses great negative impact on traffic volume. During the Reporting Period, the average daily traffic volume and toll revenue of Yangmao Expressway recorded a YOY increase, while the growth rate slowed down. During the Reporting Period, various targeted marketing and promotional proposals were implemented on GZ W2 Expressway based on the changes of the neighbouring road networks and traffic control policies; while at the same time, benefited from the positive implications of factors such as the economic growth in the areas along the expressways, change in road network and implementation of traffic administration measures, both the average daily traffic volume and toll revenue of GZ W2 Expressway witnessed a satisfactory YOY growth.

Jiangluo Expressway (Jiangmen – Luoding) Phase II commenced operation on 28 December 2016. As it is basically parallel to Guangwu Project, a great diversion impact has been brought to Guangwu Project, however, it has driven the growth of traffic volume of Jiangzhong Project. Benefited from the positive impact of improved road network and the maintenance of neighbouring roads and bridges, the average daily traffic volume and toll revenue of Jiangzhong Project recorded a YOY growth during the Reporting Period.

Guangle Expressway (Guangzhou – Lechang, in Guangdong), being the dual line of G4 National Expressway (Guangdong Section) (formerly known as Jingzhu Expressway), and Erguang Expressway (Lianhuai Section) (Lianzhou – Huaiji) were completed and opened in September 2014 and at the end of December 2014 respectively. As the said expressways are close to Qinglian Expressway and the route connecting Erguang Expressway to Qinglian Expressway is still under construction, some diversion impact has been brought to Qinglian Expressway. The expansion of Guangqing Expressway has been completed and it commenced operation at the end of September 2016, resulting in improvement of the road network which has helped improving the traffic efficiency and service capability of the entire channel. Meanwhile, the traffic volume in the region experienced organic growth in general, while Qinglian Company actively carried out promotion of routes and implemented multi-level marketing strategy, which began to take effect and hence gradually reduced the impact of diversion. The average daily toll revenue of Qinglian Expressway delivered a stable YOY growth during the Reporting Period.

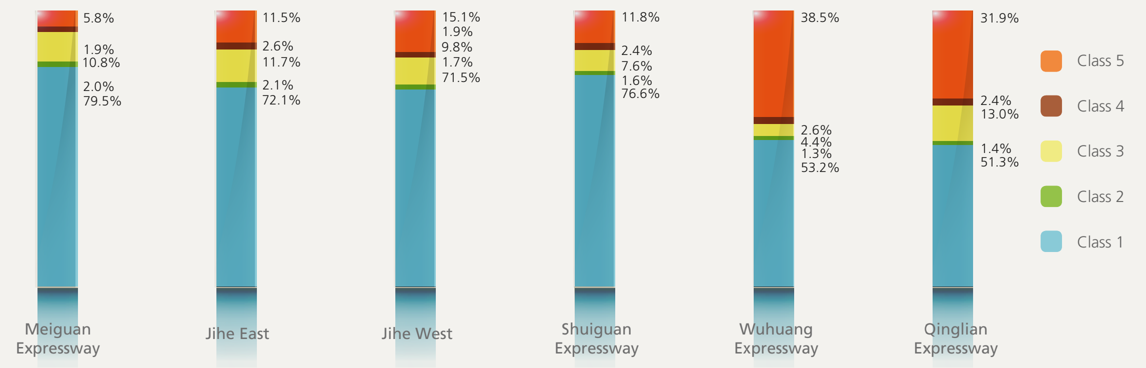
(3) *Other Provinces*

During the Reporting Period, the diversion impact arising from further commencement of operation of neighbouring road network on Wuhuang Expressway still existed, and further implementation of preferential toll policies of trucks in Hubei Province caused negative impact on its toll revenue to a certain extent. However, benefited from the rapid growth of vehicle ownership in the surrounding cities and significant growth of traffic volume of trucks, the operational performance of Wuhuang Expressway was good during the Reporting Period. Benefiting from the positive implications of various factors such as the economic development of neighbouring regions and in the region, closure of the Nanjing Yangtze River Bridge due to construction works, implementation of traffic control measures of neighbouring roads and implementation of preferential traffic policies in provinces, both the average daily traffic volume and toll revenue of Nanjing Third Bridge recorded a satisfactory YOY growth. Benefiting from the positive impact of various factors including the improvement of road network, implementation of toll-by-weight, implementation of traffic control measures of neighbouring roads and the business growth of enterprises along the highway, the toll revenue of Changsha Ring Road maintained a relatively rapid YOY growth. In addition, Yichang Company has been included in the Group's combined financial statements since 15 June 2017. Benefiting from the positive impact of various factors including the economic growth of the Northwest regions of Hunan and construction works of neighbouring roads, the operational performance of Yichang Expressway under Yichang Company was satisfactory during the Reporting Period.

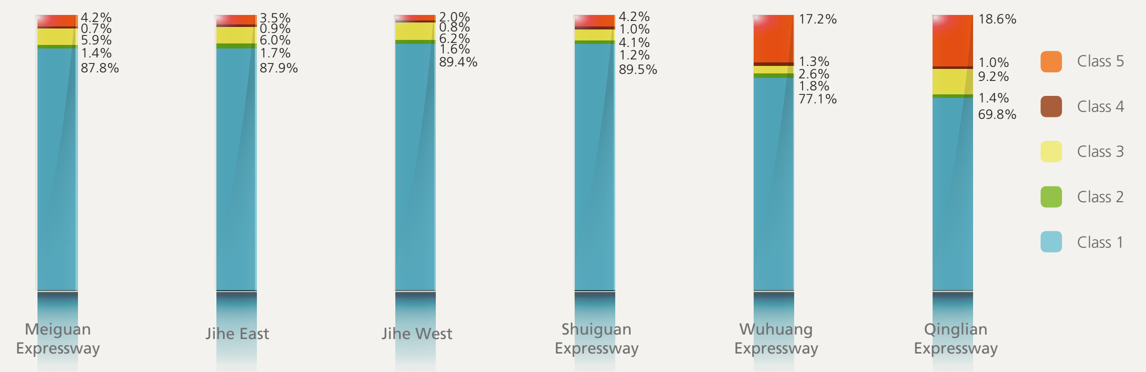
Reference Information

There was no substantial change in the vehicle category for each major highway project of the Group in 2017 as compared to that of last year. The following diagram shows the vehicle category of major toll highway projects of the Group:

Vehicle Category of Major Highways — by Revenue



Vehicle Category of Major Highways — by Traffic Volume



Management Discussion and Analysis

3. **Business Management and Upgrade**

◆ ***Explore the Opportunities for Establishing Intelligent Transportation and Enhance Service Efficiency***

With rapid development of the Internet of things and informatised technologies, intelligent transportation has become the development trend of general management of modern traffic. Through collection, treatment, analysis, distribution and application of traffic related information, traffic administrators may perform real-time monitoring and control on traffic conditions, traffic accidents, meteorological conditions, traffic environment and others, thereby performing traffic management and control in a timely manner. Meanwhile, real-time traffic related information may be provided to procure reasonable distribution of traffic volume, reduce traffic jam and accidents, enhance transportation efficiency and guarantee traffic safety. During the Reporting Period, the Group has commenced strategic cooperation with professional research institutions to integrate technological resources and actively promote the research and implementation of intelligent transportation, with a view to providing traffic volume guidance, traffic jam governing, traffic information and other functions in the region through the research and application of technologies, including vehicle identification technology, highly-precise map, artificial intelligence and integration of traffic related big data. In addition, by conducting research on application scenario of toll highways (e.g. "senseless payment (無感支付)" without stopping and unmanned intelligent security guard (toll station), it is expected to achieve comprehensive promotion of road networks, enhance service efficiency and reduce operating costs. During the Reporting Period, the Group continued to optimise standardised operation management modules as well as reformed and upgraded the software and hardware of its tolling system to improve operational service quality and work efficiency through delicacy management. 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 vehicle models 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, 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, it has continuously paid close attention to and analysed 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. By adopting mobile applications and traditional media, Magerk Company carried out multifaceted promotion on the advantages of Wuhuang Expressway in terms of its routes, service and price, with a view to attracting traffic. Leveraging on the neighbouring well-connected road networks such as Jiangluo Expressway, Jiangzhong Expressway commenced promotion on road networks to boost traffic volume. In addition, capitalising on the opportunities arising from implementation of traffic control measures of neighbouring road networks, the traffic of GZ W2 Expressway was also boosted by various channels including multifaceted promotion and guidance by signage.

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

The Company conducted regular quality checks on highways and bridges, and frequent inspections on highway administration. It has also built up a joint-action mechanism between road assets and traffic operational information. The aforementioned arrangements enable the Company to take timely measures to remove and rectify the unsafe factors in highways or take maintenance measures to better ensure the quality, safety and free traffic of highways. During the Reporting Period, the Group finalised the special bridge deficiency improvement projects and the optimised design proposal for the reinforcement project of single pier bridge, which commenced construction. In addition, 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 for 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 highways and extend the service life of the highways, thus effectively reducing the overall highway maintenance cost.

4. **Business Development**

The construction of the main project of Outer Ring Project invested by the Group has fully commenced. As at the end of the Reporting Period, the Group completed approximately 95% of land resumption, approximately 80% of housing demolition and relocation in aggregate, while it also completed approximately 35% of the image of civil works. Outer Ring Project is a toll highway project invested by the Group according to the PPP model. The Group will invest RMB6.5 billion in return of 25 years' of income from Section A of Outer Ring and bear operating costs, related taxes and risks. SDCDGC, which is established and wholly-owned by the Shenzhen Government, would bear or raise money for the excess portion. The investment model 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 the most cost-efficient way so as to achieve a win-win-win result for society, the government and the Company. For details of Outer Ring Project, please refer to the relevant contents on the Company's announcement dated 18 March 2016 and the circular dated 25 April 2016.

During the Reporting Period, the Group entered into an equity transfer agreement with Pingan Innovation to acquire its 100% equity interests in Yichang Company (which is primarily engaged in the operation and management of Yichang Expressway) at a consideration of RMB1.27 billion. 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 not only 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, but 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. Yichang Expressway has maintained good business records with steady growth of traffic volume and toll revenue since its commencement of operation. The obtaining of equity interest in Yichang Expressway at a reasonable consideration helps the Company to expand its asset scale and profit base of toll highways, increase stable cash flow, and further strengthen its core advantages in the investment, management and operation of the highways. Yichang Company has been consolidated into the combined financial statements of the Group since 15 June 2017. For details, please refer to the Company's announcement dated 20 January 2017 and the relevant contents in "Report of the Directors" of this report.

On 11 December 2017, the Company entered into an acquisition agreement with SIHCL and Coastal Company. Pursuant to the acquisition agreement, SIHCL transferred its 100% equity interests in Coastal Company to the Company at a transfer price of RMB1,472 million. The transaction has been approved by the general meeting of Shenzhen International and the Company on 5 February 2018 and 8 February 2018, respectively. Coastal Expressway is an important core passage going through the north-south of the Pearl River Delta region. It is also an important corridor connecting Guangzhou, Shenzhen and Hong Kong within the Guangdong-Hong Kong-Macau Greater Bay Area. It enjoys an excellent geographical location and an economically viable neighborhood region. With the steady development of the regional economy along the Coastal Project and the constant improvement of its surrounding road networks, the operating performance of Coastal Project will enter a period of rapid growth. In the long run, the acquisition of 100% equity interests in Coastal Company by the Company at a reasonable price is in line with the development strategy and in the interests of the Company as a whole as it will help to enhance the allocation efficiency of the Company's highway assets, stabilise the business scale of its core business of toll highway, thereby laying a foundation for the profit growth of the core business of the Company in the future. As at the date of this report, the transaction has been completed. Coastal Company has been consolidated into the financial statements of the Group since February 2018. For details, please refer to the announcements of the Company dated 8 December 2017, 11 December 2017 and 8 February 2018, the circular of the Company dated 23 January 2018 and the relevant content in "Report of the Directors" in this report.

In order to build the platform for expanding the project construction management business, and improving the competitiveness and marketability of the construction management services of the Group, the Company established an indirect wholly-owned subsidiary, Construction Company, in August 2017. As a specialized, industrialized and corporatized operating platform of the Group's construction management services, this subsidiary will explore new markets and develop its infrastructure construction management and technical service related business by adopting a market-oriented approach.

Management Discussion and Analysis

(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 the business of entrusted management. The entrusted construction management business and the entrusted operation management business, also known as entrusted construction business and entrusted management 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 reasonable revenues and returns.

1. Entrusted Construction Business

During the Reporting Period, the Company has had entrusted construction projects including Outer Ring Project, Cargo Organisation Adjustment Project and Coastal Phase II in Shenzhen region, as well as Wangguan Comprehensive Resettlement Project Phase II, Entrusted Construction Project on Hengwu Road and Hengliu Road and Entrusted Construction Project of Guizhou Logistics Harbour of Shenzhen International in Longli, Guizhou, etc. At this stage, the major work of the Group in entrusted construction business is to strengthen the safety and quality management of the projects under construction, coordinate and supervise the collection of revenue from each of the entrusted construction projects, push forward the completion and acceptance of the completed projects and proactively promote the development and cooperation in new markets and new projects.

During the Reporting Period, all the work of the entrusted construction projects has been carried out in good order. In particular, for the relevant information on the progress of Outer Ring Project, please refer to the relevant content in above description of "Business Development" in this chapter. The construction of toll stations of Cargo Organisation Adjustment Project has commenced successively and it is expected that the construction for the first batch of toll stations will be completed in August 2018. Coastal Phase II has accumulatively completed approximately 83% of land acquisition and approximately 55% of demolition area, and the tender for the construction work of some of the contracted sections such as road understructure, bridges and culvert, mechanical and electrical works, roads, etc. has been completed. Currently, the construction of bridges of three contracted sections has commenced. As at the end of the Reporting Period, the acceptance, completion settlement and audit of the construction of Wangguan Comprehensive Resettlement Project Phase II in Longli, Guizhou have been completed. The main work of Entrusted Construction Project on Hengwu Road and Hengliu Road in Longli, Guizhou was completed and accepted. The construction of warehouses for the entrusted construction project of Guizhou Logistics Harbour of Shenzhen International has been basically completed and the construction work for landscaping and greening is now underway, the main work of which is expected to be completed in the first half of 2018. Furthermore, the completion settlement and government audit of Meiguan Toll Station, Nanping Phase II, Dezheng Road Project, Coastal Phase I, auxiliary project of Longda Municipal Section and Guanlan Renmin Road-Meiguan Expressway Joints Project were underway.

2. Entrusted management business

On 30 December 2015, the Company and Baotong Company renewed the entrusted management agreement, pursuant to which, 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 tasks was smoothly carried out. The entrusted term was extended to 31 December 2018.

On 30 December 2016, the Company and Coastal Company renewed the entrusted management agreement, with an entrustment operation and management period of three years from 1 January 2017 to 31 December 2019 and an entrusted management fee of RMB18 million each year. On 11 December 2017, the Company, SIHCL and Coastal Company entered into an acquisition agreement, pursuant to which, Coastal Company shall pay the entrusted management fee of Coastal Phase I to the Company for the period up to the acquisition base date (31 October 2017). The entrusted management agreement shall be suspended upon completion of the transfer of shareholding in Coastal Company.

For details of the profits as well as incomes and expenses of various entrusted management businesses during the Reporting Period, please refer to the content in "Financial Analysis" below and the relevant content in Note V\38 to the Financial Statements in this report.

3. Development and Management of Other Infrastructure

Houmen Comprehensive Resettlement Building Project is still at the preliminary stage of applying for construction currently as the land of the project involves issues such as compensation for farmland occupied. The construction is scheduled to commence in the second half of 2018.

On 30 December 2016, the Board approved the provision of construction and management services for the land levelling and related auxiliary projects regarding Shenzhen-Shanwei Special Cooperation Zone by Investment Company. As at the end of the Reporting Period, land levelling for two plots of land, namely Jiajie Aluminum and Jinxinnong, was completed. Investment Company is now taking proactive measures to push ahead with the preliminary work such as application for construction and design of this project. The whole project is scheduled to be fully completed by the end of 2019.

Duohua Bridge Project is about 2.2 km long in total, the major construction work of the project is the construction of Duohua Bridge. It is a municipal project invested by the government of Longli County, Guizhou through Guilong Industry, its platform company. The investment budget of the project was approximately RMB950 million (subject to the final audit result of the audit department) and the construction period of the project is expected to be approximately 36 months. During the Reporting Period, the Board approved Guishen Company to undertake the construction of Duohua Bridge Project by BT model. The project might be another municipal construction project undertaken by Guishen Company after Guilong Project. By exporting the management expertise of Guishen Company in infrastructure construction, the project will be able to bring reasonable revenues and returns to the Group, establish brand influence in the local market and provide rooms for expansion in the market in the future. As at the date of this report, the agreement of this project is still under negotiation.

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 explores new business types such as comprehensive development of land and urban renewal, 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 beyond its core main business as well as a beneficial supplement to revenue.

Management Discussion and Analysis

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 land of Guilong Project will have great potential for appreciation. In order to effectively reduce the risk of fund recovery from Guilong Project and realise expected or even more incomes from the project, Guishen Company actively engages in the land tenders within the development area of Guilong Project. From 2012 up to the Reporting Date, Guishen Company has successfully won the bid for the land with an area of approximately 2,655 mu (approximately 1,770,000 square meters) with a total transaction amount of approximately RMB896 million. Guishen Company has set up certain wholly-owned subsidiaries to hold and manage the land use rights of the land parcels mentioned above.

Guishen Company is adopting a progressive development strategy by phases. It has conducted secondary self-development for certain land parcels acquired, which has an area of 700 mu (approximately 467,000 square meters). As at the end of the Reporting Period, the handover of a total of 144 sets of houses of Phase I Stage I of Guilong Development Project (also known as "Interlaken Town Project") (approximately 110 mu, equivalent to 70,000 square meters) have been completed. Through multi-level project promotion and marketing by Guishen Company at the preliminary stage, Interlaken Town has established a favourable brand image in the local market with its unique architectural style, beautiful landscape and good living environment. Currently, the construction and sales of a total of 169 sets of houses of Phase I Stage II (approximately 129 mu, equivalent to 86,000 square meters) have been fully completed and the handover of a total of 120 sets of houses has been completed accumulatively. During the Reporting Period, Guishen Company has commenced the Interlaken Town Phase II Development Project (approximately 400 mu, equivalent to 267,000 square meters) and intended to launch over 230 sets of houses during Phase II Stage I. As at the end of the Reporting Period, over 220 sets of houses have been sold. Approximately 80% of the main work of Phase II Stage I have been completed and it is scheduled to be delivered by the end of 2018. Meanwhile, Guishen Company planned to construct commercial ancillary properties in Phase II and is now applying for approval for the relevant design and planning proposals. Moreover, during the Reporting Period, the Board has also approved Guishen Company to independently develop approximately 375 mu of the land parcel I according to the strategy of unified planning and progressive development by phases.

With continuous economic development in the region where Guilong Project is located, the value of the region continued to grow and thus created a buoyant sales environment in the property market. By operating and implementing the preliminary work of Interlaken Town Project, Guishen Company has explored and accumulated some experience in the management and operation of property development projects, thereby developing a business development model suitable for the property market in such region. In order to seize the opportunities in the market and effectively lower the risks in relation to the collection of receivables from Duohua Bridge Project, during the Reporting Period, the Board approved Guishen Company (or the project company it established for holding lands) to participate in the bidding of land of approximately 1,000 mu which was listed for sale and proposed to be sold in batches by the government of Longli County at a real price of not more than RMB500,000/mu (inclusive).

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 income 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. Meilin Checkpoint Renewal Project occupies a land area of approximately 96,000 square meters, which shall be used for residential and commercial purposes, and a capacity building area of not more than 486,400 square meters (including public facilities). United Land Company has acquired the land use right of the land as planned. For details, please refer to the Company's announcements dated 8 August 2014, 10 September 2014 and 8 October 2014 and the circular dated 17 September 2014. Enjoying a good location, the land price of the Meilin Checkpoint Renewal Project has certain advantages over the market price of the surrounding land, including higher investment value and more rooms for appreciation. As at the end of the Reporting Period, United Land Company has completed 90% of the demolition and relocation work and determined to adopt the "entrusted development" model. The public tendering of entrusted construction management has been completed and it is confirmed that Vanke will be the entrusted construction and management party of the project. The project has officially commenced construction in the fourth quarter of 2017.

In addition, given that the preliminary work of Meilin Checkpoint Renewal Project was basically completed, the Company has commenced the relevant development and construction work as planned. According to the project development plan, United Land Company will enter the stage of net capital inflow after pre-sale of property, during which the project would be able to maintain operation with a small amount of capital. In order to promptly recover the investment capital of the Group, avoid idle capital, enhance overall efficiency of capital utilisation of the Group, reduce consolidated capital cost of the Group and improve the overall corporate efficiency and shareholders' returns, with the approval of the Board of the Company, XTC Company, the Company and United Land Company entered into the Capital Reduction Agreement on 2 February 2018. The three parties, upon negotiation, unanimously agreed that the Company and XTC Company shall reduce their capital contribution to United Land Company in proportion to their shareholdings simultaneously with a total capital reduction amount of RMB4.5 billion, among which the capital reduction amount of the Company and XTC Company were RMB2.205 billion and RMB2.295 billion, respectively. After the completion of the capital reduction, the registered capital of United Land Company will decrease from RMB5 billion to RMB500 million. The Company and XTC Company will hold the equity interest in United Land Company in proportion to their existing shareholdings and entitled to shareholders' rights and interests. For details, please refer to the Company's announcements dated 25 January 2018 and 2 February 2018.

(IV) Environmental Protection Business

As clearly stated in the Group's new development strategies, 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 further environmental protection industry that takes water environment remediation and solid waste treatment as the main content while consolidating and enhancing the core business of toll highway. The Group has established Environmental Company as a market-oriented platform for expanding businesses in relation to the environmental protection industry. In 2017, the Group took a great step towards expanding into the environmental protection industry. On one hand, it has expanded into various segments of the environmental protection industry from a high starting point by successfully acquiring the equity interests in two leading environmental protection enterprises. On the other hand, by collaborating with industrial leaders and complementing each other's advantages, the Group has achieved synergy of talents and technological resources, regional competitiveness and marketability, and carried out in-depth cooperation such as joint project investment and regional market development with a view to enhancing the market competitiveness of the Group. Moreover, in conjunction with the regional expansion strategy, the Group has participated in comprehensive urban development and construction, thereby rapidly expanding into the area of construction and operation of environmental protection projects such as water treatment of river channels, integrated management of solid waste and waste power generation.

Management Discussion and Analysis

During the Reporting Period, by participating in the registration and competitive negotiations on the capital injection project involving 50% equity interests in Water Planning Company organised by Shenzhen United Property and Share Rights Exchange, the Group ultimately subscribed for 15% of the equity interests at a consideration price of RMB10.315 per registered capital, totalling RMB61,890,000 upon the capital injection of Water Planning Company. The relevant agreement in respect of the capital injection has been entered into on 13 July 2017. Water Planning Company is one of the first comprehensive survey and design organisation in the PRC to commence integrated water design. It processes 7 A-grade qualifications in areas such as water conservancy industry, municipal water supply and drainage, comprehensive engineering survey and surveying etc. It is one of the top 500 PRC enterprises in the field of survey and design, and one of the top 50 PRC enterprises in the field of water conservancy survey and design. By investing in Water Planning Company at a reasonable price, the Company would be able to achieve reasonable investment return, at the same time expanding into the water environmental management field from a high starting point. This will help the Company to acquire resources for technological research and development in respect of water environmental management and urban water planning, expand market channels, achieve complementary advantages along the industrial chain with related cooperating parties, thereby assisting the Company to rapidly enhance its competitiveness in market of water environmental management. For details, please refer to the Company's announcements dated 6 April 2017 and 13 July 2017 respectively and the relevant content in "Report of the Directors" in this report.

During the Reporting Period, Environmental Company, a wholly-owned subsidiary of the Group, entered into the Equity Transfer Agreement with Water Asset in Chongqing, pursuant to which, Environmental Company acquired 20% equity interests in Derun Environment from Water Asset at a consideration of RMB4,408,644,500. As Derun Environment is a comprehensive environmental enterprise with two major business segments, namely water treatment and waste incineration power generation, the Company believes that Derun Environment has stable profitability, abundant cash flow, strong scale advantages, regional competitive advantage and growth potentials. By acquiring Derun Environment's equity interest through Environmental Company at a reasonable price, the Company can expand its environmental business and obtain a reasonable return on investment. On the other hand, the Company may also carry out in-depth cooperation with Derun Environment and complement each other's advantages in business development. For details, please refer to the Company's announcements dated 19 May 2017 and 25 May 2017, the circular dated 29 May 2017 and the relevant content in "Board Announcement" in this report.

On 30 December 2016, the Board approved Investment Company to participate in the Nanmen River Comprehensive Management Project ("Nanmen River Comprehensive Management Project") in Shenzhen-Shanwei Special Cooperation Zone. In the case of a total investment of not more than RMB320 million, 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 Nanmen River Comprehensive Management Project as a consortium. As at the end of the Reporting Period, the establishment of the project has been approved. The preliminary work of submission for approval such as the preliminary approval of land use of the project, construction feasibility study, environmental impact assessment and water and soil conservation have been pushed forward in good order. The construction of all river sections equipped with operation platform has been basically completed.

During the Reporting Period, with the approval of the Board, a project company was established by Environmental Company through equity investment to commence relevant preliminary work of the waste incineration power generation project in Longli County.

In order to explore business opportunities regarding urban infrastructure construction in Shenzhen-Shanwei Special Cooperation Zone and enhance efficiency in decision making, with the approval of the Board, the Company established Shenzhen Expressway (Shenzhen-Shanwei Special Cooperation Zone) Infrastructure Environmental Protection Development Company Limited (深高速(深汕特別合作區)基建環保開發有限公司), a wholly-owned subsidiary, at the end of the Reporting Period, which will serve as a cooperation and connecting platform and internal resource integration platform for the Company in Shenzhen-Shanwei Special Cooperation Zone. The company has a registered capital of RMB500 million and is principally engaged in foundation work-related projects, comprehensive land development projects under joint infrastructure construction projects and environmental protection development projects.

For details of the profits regarding Water Planning Company and Derun Environment during the Reporting Period, please refer to the relevant content in "Financial Analysis" below and note V\10, noteV\12 and note VII\2 to the Financial Statement in this report.

(V) Other Businesses

The Group subscribed for the additional shares issued by Bank of Guizhou in 2015 and 2016 respectively. As at the end of the Reporting Period, the Group held a total of 426,000,000 shares of Bank of Guizhou. The equity interests held by the Group accounted for approximately 3.78% of the total share capital of Bank of Guizhou after the capital increase. As Bank of Guizhou has a good cash dividend capability and huge rooms for development, the subscription for additional shares in Bank of Guizhou can optimise the Company's asset allocation and bring a good synergy to the Company's follow-up infrastructure investment and business operation in the relevant areas. For details of the investment income from Bank of Guizhou, please refer to relevant content in "Financial Analysis" below.

The Group has engaged in the businesses of billboard leasing, advertising agency, design production and related businesses alongside the toll highways and at the toll stations through Advertising Company, its wholly-owned subsidiary. In addition to operating and disseminating the self-owned media resources along the expressways, 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.

Consulting Company, held as to 24% by the Company, is a professional engineering consulting company with 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 investment and construction of engineering project.

Guangdong UETC, held as to 12.86% by the Company, 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.

With the approval of the Board, the Company established Shenzhen Expressway (Guangzhou) Industrial Investment Fund Management Company Limited (深高速(廣州)產業投資基金管理有限公司) in December 2017 as the Group's channel for expanding the financing models in the transport infrastructure industry and environmental protection industry and a platform for incubating projects. As at the end of the Reporting Period, no businesses had been conducted by the fund in respect of its investment, merger and acquisition. For details, please refer to the Company's announcements dated 18 August 2017 and 12 January 2018, respectively.

During the Reporting Period, each of the above businesses proceeded smoothly and has met the Group's expectation in general. Due to the limitation on the scales or investment modes, 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 during the Reporting Period, please refer to the relevant content in note V\12 and note V\43 to the Financial Statement in this report.

Management Discussion and Analysis

II. Financial Analysis

In 2017, the Group recorded net profit attributable to owners of the Company ("net profit") of RMB1,426,403,000 (2016: RMB1,169,353,000), representing a YOY increase of 21.98%. This was mainly due to the growth of toll revenue recorded by the toll highways operated and invested by the Group during the Reporting Period and the revenue contributed by newly acquired projects.

(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	**4,836,621**	4,532,209	6.72%
Cost of services	**2,498,642**	2,532,931	-1.35%
Selling expenses	**20,134**	18,637	8.03%
General and administrative expenses	**183,667**	138,535	32.58%
Financial expenses	**550,628**	639,443	-13.89%
Investment income	**528,851**	433,982	21.86%
Income tax expenses	**369,643**	306,027	20.79%
Net cash flows from operating activities	**2,660,706**	2,126,610	25.11%
Net cash flows from investing activities	**-6,991,110**	–2,529,509	176.38%
Net cash flows from financing activities	**1,773,125**	-1,529,440	N/A

1. Analysis of Income and Cost

During 2017, the Group recorded revenue of RMB4,836,621,000, representing a YOY increase of 6.72%. Excluding the effect of de-consolidating the Consulting Company from the Group's financial statements, the Group recorded a YOY increase of 15.20%. In particular, toll revenue amounted to RMB4,284,638,000, accounting for 88.59% of the Group's revenue, which is the main source of revenue of the Group. The growth of the Group's revenue during the Reporting Period was primarily attributable to the growth of toll revenue from the Group's existing ancillary toll highways and the revenue contribution resulted from the consolidation of Shenchang Company and Yichang Company into the Group's financial statements.

Unit: '000 Currency: RMB

Revenue item	2017	Percentage of total (%)	2016	Percentage of total (%)	Change (%)	Description
Revenue from main business – toll highways	**4,284,638**	88.59	3,679,988	81.20	16.43	(1)
Revenue from other businesses – entrusted management services	**103,117**	2.13	121,417	2.68	-15.07	(2)
Revenue from other businesses – real estate development	**317,418**	6.56	253,685	5.60	25.12	(3)
Revenue from other businesses – engineering consulting	**–**	–	333,918	7.37	-100.00	(4)
Revenue from other businesses – advertising and others	**131,448**	2.72	143,201	3.15	-8.21	
Total revenue	**4,836,621**	100.00	4,532,209	100.00	6.72	

Description:

(1) During 2017, the Group recorded a YOY increase of 16.43% in toll revenue, in which the contribution from toll revenue of RMB337,263,000 during the Reporting Period was resulted from the consolidation of Shenchang Company and Yichang Company into the Group's financial statement since 1 April 2017 and 15 June 2017 respectively. Save for the effect for this factor, the Group's toll revenue of the existing ancillary toll highways recorded a YOY increase of 7.27%, which was mainly due to the fact that each of the ancillary toll highways recorded certain extent of growth benefitting from the organic growth of traffic volume, the improvement of neighboring road networks and the induced growth of traffic volume after the implementation of the toll-free policy for the Three Projects. In addition, pursuant to the agreement on toll adjustments for the Three Projects signed by the Company with the Transport Commission of Shenzhen Municipality, the Company recognised compensation for the toll revenue from the Three Projects of RMB730,670,000 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 Point (1) below.

(2) During the Reporting Period, revenue from entrusted management services recorded a YOY decrease of 15.07%, mainly due to the fact that the agreement for entrusted operation management service of Coastal Phase I was entered into by the Company during the corresponding period last year, pursuant to which revenue from entrusted management services of RMB50,943,000 from 1 January 2014 to 31 December 2016 was recognised.

(3) During the Reporting Period, Guilong Development Project was completed and part of the commodity housings were delivered. Revenue from such part of real estate development was recognised accordingly.

(4) Consulting Company was de-consolidated from the Group's financial statements since 30 November 2016.

Management Discussion and Analysis

(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	4,284,638	2,120,179	50.52	16.43	13.80	Increase 1.15 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	736,037	425,681	42.17	9.60	8.69	Increase 0.48 pct.pt
Jihe East	716,148	299,883	58.13	10.73	0.01	Increase 4.49 pct.pt
Shuiguan Expressway	643,414	433,420	32.64	3.85	3.63	Increase 0.14 pct.pt
Jihe West	631,229	111,780	82.29	5.05	0.69	Increase 0.77 pct.pt
Wuhuang Expressway	366,800	229,343	37.47	6.73	15.06	Decrease 4.53 pct.pt
Nanguang Expressway	351,069	178,982	49.02	6.61	5.38	Increase 0.59 pct.pt
Yanba Expressway	191,772	126,786	33.89	6.62	7.10	Decrease 0.30 pct.pt
Yanpai Expressway	188,146	79,948	57.51	7.85	-5.53	Increase 6.02 pct.pt
Meiguan Expressway	122,760	74,233	39.53	7.74	5.94	Increase 1.03 pct.pt
Subtotal	**3,947,375**	**1,960,056**	**50.35**	**7.27**	**5.21**	**Increase 0.98 pct.pt**
Yichang Expressway	228,371	115,670	49.35	N/A	N/A	N/A
Changsha Ring Road	108,892	44,453	59.18	N/A	N/A	N/A
Total	**4,284,638**	**2,120,179**	**50.52**	**16.43**	**13.80**	**Increase 1.15 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	3,580,575	1,730,714	51.66	7.32	4.03	Increase 1.53 pct.pt
Hubei Province	366,800	229,343	37.47	6.73	15.06	Decrease 4.53 pct.pt
Hunan Province	337,263	160,123	52.52	N/A	N/A	N/A
Total	**4,284,638**	**2,120,179**	**50.52**	**16.43**	**13.80**	**Increase 1.15 pct.pt**

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

During 2017, the overall gross profit margin of the Group's ancillary toll highways was 50.52%, representing a YOY increase of 1.15 pct.pt, mainly attributable to the growth of toll revenue and the decline of special maintenance expenses, the gross profit margin of projects such as Jihe East and Yanpai Expressway has increased. The gross profit margin of Wuhuang Expressway decreased due to the increase in depreciation and amortisation during the Reporting Period as a result of adjustment of the unit amortisation amount.

(2) Analysis of Cost

During 2017, the cost of services of the Group amounted to RMB2,498,642,000 (2016: RMB2,532,931,000), representing a YOY decrease of 1.35%. Among which, Shenchang Company and Yichang Company had been consolidated into the Group's financial statements, resulting in an increase in cost of services, while the de-consolidation of Consulting Company from the financial statements has resulted in a decrease in cost of business of engineering consulting accordingly. After excluding the effect of the change of scope of consolidation, the cost of services for the Reporting Period recorded a YOY increase of 3.71%, which was mainly due to the YOY increases in the depreciation and amortisation expenses of ancillary toll highways and carry-forward of real estate development costs of Guilong Development Project during the Reporting Period.

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 highway	Employee expenses	**323,920**	12.96	290,130	11.45	11.65	(1)
	Road maintenance expenses	**172,837**	6.92	180,647	7.13	-4.32	(2)
	Depreciation and amortisation	**1,409,381**	56.41	1,195,477	47.20	17.89	(3)
	Other business costs	**214,041**	8.56	196,747	7.77	8.79	
	Sub-total	**2,120,179**	84.85	1,863,001	73.55	13.80	(4)
Cost of other businesses – entrusted management services		**63,761**	2.55	92,649	3.66	-31.18	(5)
Cost of other businesses – real estate development		**233,768**	9.36	213,008	8.41	9.75	(6)
Cost of other businesses – engineering consulting		**–**	–	278,150	10.98	-100.00	
Cost of other businesses – advertising and others		**80,935**	3.24	86,123	3.40	-6.02	
Total cost of services		**2,498,642**	100.00	2,532,931	100.00	-1.35	

Description:

(1) Mainly represents the salary rise of toll collection staff, and the consolidation of Shenchang Company and Yichang Company into the Group's financial statements, which has resulted in a YOY increase in the employee expenses.

(2) Mainly represents the special maintenance expenses of Jihe East, Yanpai Expressway and Wuhuang Expressway incurred in the corresponding period of last year. The expense during this period represented a YOY decrease.

(3) Mainly represents the adjustment of unit amortisation amount of the concession intangible assets of Wuhuang Expressway on 1 October 2016, the increase in traffic volume of each of the ancillary toll highways, and the consolidation of Shenchang Company and Yichang Company into the Group's financial statements, which has resulted in an increase in the costs of depreciation and amortisation.

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

Management Discussion and Analysis

(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. During the Reporting Period, the cost of the entrusted management services decreased, which was mainly due to the recognition of the entrusted construction management cost of Section A of Outer Ring in the corresponding period of last year.

(6) Guilong Development Project carried forward of real estate development cost in relation to the commodity housing delivered during the year.

(3) Major Customers of Sale 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 RMB105,411,000, accounting for 2.18% of the overall revenue of the Group; among the revenue from the top five customers, revenues from related parties amounted to RMB44,961,000, accounting for 0.93% of the total sales during the year.

The purchases from the Group's top five suppliers amounted to RMB198,969,000, accounting for 18.55% of total purchases of the Group; of which none was purchase from related parties.

2. Expenses

The Group's selling expenses for the year of 2017 amounted to RMB20,134,000 (2016: RMB18,637,000), representing a YOY increase of 8.03%. The increase was mainly due to the increase in the marketing expenses of Guilong Development Project.

The Group's general and administrative expenses for the year of 2017 amounted to RMB183,667,000 (2016: RMB138,535,000), representing a YOY increase of 32.58%. The increase was mainly due to the expansion of business scale, the increase in benefits, the increase in the number of managerial staff and in salaries during the Reporting Period.

The Group's financial expenses for the year of 2017 amounted to RMB550,628,000 (2016: RMB639,443,000), representing a YOY decrease of 13.89%, which was mainly due to the YOY increase in exchange gains from USD debentures arising from RMB appreciation during the Reporting Period. The Company issued 5-year overseas debentures in the amount of USD300 million on 18 July 2016. To mitigate risks related to exchange rate, the Company had entered into a foreign exchange swap transaction to lock in foreign exchange risks. For details of the foreign exchange swap transaction, please refer to Point (2) below. In addition, during the Reporting Period, due to the increase in the average borrowing scale and the decrease in cash at bank and on hand, the Group recorded an increase in interest expenses and a decrease in interest income as a result accordingly. For details of the changes in borrowing scale and cash at bank and on hand, 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	2017	2016	Change (%)
Interest expenses	**727,251**	631,890	15.09
Less: Interest capitalised	**20,377**	3,287	520.01
Interest income	**44,591**	78,826	-43.43
Add: Exchange loss and others	**-111,655**	89,666	–224.52
Total financial expenses	**550,628**	639,443	-13.89

During 2017, the Group's income tax expenses amounted to RMB369,643,000 (2016: RMB306,027,000), representing a YOY increase of 20.79%, which was mainly due to the increase in taxable income resulting from the growth of toll revenue of the existing ancillary toll highways during the Reporting Period, and the increase in the Group's income tax expenses resulting from the consolidation of Shenchang Company and Yichang Company into the Group's financial statements during the Reporting Period.

3. Investment Income

During 2017, the Group recorded investment income of RMB528,851,000 (2016: RMB433,982,000), representing a YOY increase of 21.86%. After excluding the effect of the recognition of investment income from the transfer of subsidiaries and gain from revaluation of the fair value of the original equity interest held or the remaining equity interests due to changes of control as shown in the table below, the Group's investment income recorded a YOY increase of 39.32% during the Reporting Period. This was mainly due to the increase in investment income from newly acquired projects and the increase in income from existing toll highway projects operated by joint ventures and associates during the Reporting Period. Among which, upon the completion of acquisition of equity interest in Derun Environment at the end of May, the Group recognised investment income of RMB125,957,000 for the year. Meanwhile, benefitting from the positive impact brought by the expansion or restriction on use of vehicles due to overhaul of surrounding roads, GZ W2 Expressway, Nanjing Third Bridge and Jiangzhong Expressway recorded significant growth of profit, while Guangwu Project recorded a decrease in income due to the diversion effect caused by the commencement of operation of new roads.

The detailed analysis of investment income is as follows:

Unit: '000 Currency: RMB

Item	2017	2016	Amount of changes
1. Investment income attributable to joint ventures and associates			
Yangmao Expressway	**84,064**	79,995	4,069
GZ W2 Expressway	**49,124**	34,133	14,991
Nanjing Third Bridge	**44,076**	36,217	7,859
Guangwu Project	**38,579**	45,827	-7,248
Jiangzhong Expressway	**22,111**	16,672	5,439
Shuiguan Extension	**8,233**	4,781	3,452
Changsha Ring Road Note 1	**7,080**	26,307	-19,227
Bank of Guizhou	**100,301**	63,335	36,966
Derun Environment	**125,957**	–	125,957
Others	**9,691**	-1,171	10,862
Subtotal	**489,216**	306,096	183,120
2. Gain from valuation of the fair value of the original equity interest held after consolidation of entity which is not under common control	**27,504**	–	27, 504
3. Investment income arising from the transfer of subsidiaries	**–**	52,828	-52,828
4. Gain on revaluation of the fair value of remaining equity interests after losing control	**–**	21,305	-21,305
5. Investment income recognised for available-for-sale financial assets Note 2	**5,400**	38,200	-32,800
6. Investment income recognised for foreign exchange swap financial tool	**-851**	–	-851
7. Investment income from wealth management products	**7,582**	15,554	-7,972
Total	**528,851**	433,982	94,869

Note 1: Shenchang Company, originally a joint venture of the Company, has been consolidated into the Group's financial statements since 1 April 2017. The investment income from Changsha Ring Road during the Reporting Period represents the data of the first quarter of 2017.

Note 2: The investment income represents the dividend distributed by Guangdong UETC for the year of 2016, while the investment income for the corresponding period of last year represents the dividend distributed by Bank of Guizhou for the year of 2015, which was unaudited and calculated by using the equity method.

Management Discussion and Analysis

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 2017, the Group's net cash flow from operating activities and cash return on investments [Note] totalled RMB3,025,481,000 (2016: RMB2,410,065,000), representing a YOY increase of 25.54%, which was mainly attributable to an increase in the Group's net cash flows from operating activities as a result of the consolidation of Shenchang Company and Yichang Company into the Group's financial statements, and the increase in proceeds from pre-sale of Guilong Development Project and dividend received from Derun Environment during the Reporting Period.

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 the consideration of acquisition of equity interests of Derun Environment, Yichang Company and Coastal Company during the Reporting Period. The net cash outflows from investing activities amounted to RMB6,991 million.

Descriptions on the reasons for changes in net cash flows from financing activities: During the Reporting Period, the Group recorded a YOY increase in borrowings to satisfy its needs for operation, acquisition of equity interests and construction of Outer Ring Project. The net cash inflows from financing activities amounted to RMB1,773 million.

5. Amortisation Policies of Concession Intangible Assets and the Difference of Different 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 truthfulness and accuracy of the amortised amount. Details of this accounting policy and accounting estimates are set out in notes III\17(1) and 30(2) to the Financial Statements in this report.

Under normal circumstances, during the preliminary stage of toll highway operation, the traffic flow is relatively low, the amortised amount calculated by the traffic flow method is lower than that calculated by the straight-line method. During the Reporting Period, the difference in amortisation attributable to the Company calculated by using two amoritsation methods based on its share of interests was RMB26 million, representing a YOY decrease. The adoption of different amortisation methods had no impact on the cash flow generated from various toll highway projects and thus had no impact on the valuation of various projects.

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

1. Profit and Loss 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, due to the appreciation of RMB, the Group recognised loss from changes in fair value of RMB146,363,000 of the swap transaction instrument, which represents the exchange lock-in cost after deducting the exchange gain from the USD debenture held during the Reporting Period. Details are set out in note V\2 and note V\42 to the Financial Statements in this report.

(III) Analysis of Assets and Liabilities

1. Assets and Liabilities

The Group's assets mainly comprise concession intangible assets in high-grade toll highways and equity investments in the enterprises operating toll highways, which accounts for 59.89% of its total assets, and cash at bank and on hand as well as other assets, which accounts for 6.73% and 33.38% of its total assets, respectively. As at 31 December 2017, the Group's total assets amounted to RMB37,473,827,000 (2016: RMB32,384,844,000), representing an increase of 15.71% over 2016, mainly due to the acquisition of the equity interests in Derun Environment, Yichang Company and Coastal Company during the Reporting Period, which has resulted in a growth of asset scale.

As at 31 December 2017, the total outstanding interest-bearing liabilities of the Group amounted to RMB17,071,631,000 (2016: RMB12,941,286,000), representing an increase of 31.92% over the end of 2016, mainly due to the consolidation of Yichang Company into the Group's financial statement during the Reporting Period, resulting in an increase in the total borrowings of the Group, as well as the increase in bank borrowings with an aim to satisfy its needs for operation, acquisition of equity interests and construction of Outer Ring Project of the Group. In 2017, the average borrowing scale of the Group was RMB15.2 billion (2016: RMB12.9 billion), representing a YOY increase of 17.83%.

Management Discussion and Analysis

Detailed 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
Cash at bank and on hand	**2,521,266**	6.73%	5,663,898	17.49%	-55.49%	(1)
Accounts receivable	**215,538**	0.58%	545,051	1.68%	-60.46%	(2)
Interest receivable	**2,210**	0.01%	15,870	0.05%	-86.08%	(3)
Other receivables	**170,156**	0.45%	99,298	0.31%	71.36%	(4)
Non-current assets due within one year	**79,908**	0.21%	124,169	0.38%	-35.65%	(5)
Other current assets	**39,367**	0.11%	564,329	1.74%	-93.02%	(6)
Long-term prepayments	**326,996**	0.87%	184,698	0.57%	77.04%	(7)
Available-for-sale financial assets	**106,557**	0.28%	43,490	0.13%	145.02%	(8)
Long-term receivable	**258,388**	0.69%	16,519	0.05%	1,464.16%	(9)
Long-term equity investments	**9,064,252**	24.19%	4,703,282	14.52%	92.72%	(10)
Construction in progress	**29,162**	0.08%	13,575	0.04%	114.82%	(11)
Deferred income tax assets	**147,866**	0.39%	53,142	0.16%	178.25%	(12)
Other non-current assets	**1,472,000**	3.93%	–	–	N/A	(13)
Short-term borrowings	**2,518,256**	6.72%	–	–	N/A	(14)
Accounts payable	**348,257**	0.93%	219,558	0.68%	58.62%	(15)
Advances from customers	**485,162**	1.29%	227,630	0.70%	113.14%	(16)
Employee benefits payable	**164,023**	0.44%	108,838	0.34%	50.70%	(17)
Taxes payable	**244,196**	0.65%	156,192	0.48%	56.34%	(18)
Interests payable	**66,674**	0.18%	100,188	0.31%	-33.45%	(19)
Other payables	**1,412,456**	3.77%	2,387,125	7.37%	-40.83%	(20)
Financial liabilities at fair value through profit or loss	**71,372**	0.19%	–	–	N/A	(21)
Long-term borrowings	**4,979,185**	13.29%	1,783,024	5.51%	179.26%	(22)

Descriptions:

(1) Payment for consideration of acquisition of the equity interest in Derun Environment and Yichang Company as well as distribution of dividend for the year of 2016.

(2) The extension of settlement period of the revenue receivable from the entrusted construction management services of Coastal Phase I to over one year, as such, the item was transferred to "long-term receivables".

(3) Decrease in interest receivable on fixed deposit.

(4) Advances for the construction work of Nanmen River Comprehensive Management Project and expected tax recoverables due to compensation receivable of toll fee adjustment of Meiguan Expressway.

(5) Receipt of part of receivables of Longli BT Project and the reversal of remaining compensation receivable of toll fee adjustment of Meiguan Expressway.

(6) Redemption of wealth management products from banks.

(7) Increase in construction prepayments for Outer Ring Project.

(8) Acquisition of additional 15% equity interests in Water Planning Company.

(9) The extension of settlement period of the revenue receivable from the entrusted construction management services of Coastal Phase I to over one year, as such, the item was transferred to "long-term receivables".

(10) Acquisition of 20% equity interests in Derun Environment.

(11) Reconstruction and expansion of some of the toll stations of Qinglian Expressway and increase in investment in certain mechanical and electrical equipment of ancillary highways.

(12) The consolidation of Shenchang Company into the Group's financial statements has resulted in an increase in its deferred income tax assets in relation to concession intangible assets as well as recognition of deferred income tax assets in relation to losses from changes in fair value of Forex Swap.

(13) As the procedures of equity acquisition of Coastal Company has not been completed, the equity transfer prepayment was temporarily classified as "other non-current assets".

(14) Increase in short-term borrowings.

(15) The consolidation of Shenchang Company and Yichang Company into the Group's financial statements has resulted in an increase in accounts payable and an increase in payables for construction projects of Outer Ring Project.

(16) Increase in the proceeds from pre-sale of commodity housing of Guilong Development Project.

(17) The consolidation of Shenchang Company and Yichang Company into the Group's financial statements has resulted in an increase in employee benefits payable and an increase in provision for performance bonus.

(18) The consolidation of Shenchang Company and Yichang Company into the Group's financial statements has resulted in an increase in taxes payable.

(19) Corresponding decrease in interests payable as at the end of the period due to repayment for RMB1 billion medium-term notes upon maturity.

(20) Decrease in the balance of construction funds invested by the government for Outer Ring Project.

(21) Recognition of losses from changes in fair value of Forex Swap.

(22) The consolidation of Yichang Company into the Group's financial statements has resulted in an increase in long-term borrowings, and an increase in some of the consortium loans for Outer Ring Project and loans for the merging and acquisition of the Coastal Company.

Management Discussion and Analysis

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

Assets	Type	Bank	Scope of security	Term
Toll collection rights of Qinglian Project Note 1	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 under the loan agreement by Qinglian Company
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 full repayment of principal and interests on corporate bonds
Toll collection rights of Outer Ring Expressway and all proceeds from the project Note 2	Pledge	A consortium including China Development Bank, etc.	Bank loans in an aggregate amount of RMB6.5 billion	Until full repayment of all liabilities under the master contract
Toll collection rights of Shuiguan Expressway Note 3	Pledge	Bank of China Shenzhen Central Sub-branch	Bank loans in an aggregate amount of RMB450 million	Until repayment of all liabilities
	Pledge	Zheshang Bank Shenzhen Branch	Bank loans in an aggregate amount of RMB220 million	Until repayment of all liabilities
	Pledge	Industrial and Commercial Bank of China Futian Sub-branch	Bank loans in an aggregate amount of RMB200 million	Until repayment of all liabilities
45% equity interests in JEL Company Note 4	Pledge	The Hongkong and Shanghai Banking Corporation Limited	Principal and interests of loans in USD	Until full repayment of principal and interests on loans in USD and relevant expenses
Toll collection rights of Yichang Expressway Note 5	Pledge	Industrial and Commercial Bank of China Changsha Simenkou Sub-branch	Bank loans in an aggregate amount of RMB1.66 billion	Until repayment of all liabilities
	Pledge	Bank of China Hunan Branch	Bank loans in an aggregate amount of RMB110 million	Until repayment of all liabilities

Notes on mortgage/pledge of assets:

Note 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 RMB1,783 million.

Note 2: The Outer Ring Company applied for a bank loan in an aggregate account of RMB6.5 billion from the consortium by pledging the proceeds and credits receivable from the operating activities of Outer Ring Expressway. As at the end of the Reporting Period, the balance of such consortium loans withdrawn by Outer Ring Company was RMB1,154 million.

Note 3: Pledged by Qinglong Company, a subsidiary of the Company. The loans acquired were applied towards the repayment of shareholders' borrowings. Currently, the balance of such loans is RMB870 million.

Note 4: Pledged by Mei Wah Company, a subsidiary of the Company, as a security for applying bank loans in USD. As at the end of the Reporting Period, the balance of such loans is USD36,000,000.

Note 5: Pledged by Yichang Company, a subsidiary of the Company. As at the end of the Reporting Period, the balance of such bank loans withdrawn by Yichang Company was RMB1,298 million.

3. Capital Structure and Debt Repayment Capability

The Company is always committed to maintaining a rational capital structure and enhancing its profitability, in order to maintain its good credit ratings and solid financial position. During the Reporting Period, due to the combined effect of increase in the size of borrowings scale, vast amount of cash investments and distribution of profit, the debt-to-asset ratio and the net borrowings-to-equity ratio of the Group increased to a certain extent respectively as compared with that at the beginning of the year. During the Reporting Period, the Group's businesses demonstrated steady development, recording an increase in revenue while further enhancing the effectiveness of cost management and steadily improving the debt repayment capability. Given the Group's stable and robust operating cash flows and its strong capability in financing and capital management, the Directors are of the view that the financial leverage ratios remained at safe levels as at the end of the Reporting Period.

Key indicators	As at the end of 2017	As at the end of 2016
Debt-to-asset ratio (Total liabilities/Total assets)	**57.91%**	54.57%
Net borrowings-to-equity ratio ((Total borrowings – cash and cash equivalents)/Total equity)	**97.53%**	59.12%
	2017	2016
Interest covered multiple ((Profit before tax + interest expenses)/Interest expenses)	**3.60**	3.56
EBITDA interest multiple (Earnings before interests, tax, depreciation and amortisation/Interest expenses)	**5.57**	5.52

4. Liquidity and Cash Management

During the Reporting Period, short-term borrowings of the Group increased by RMB2.5 billion, representing 36.99% of the current liabilities. A large amount of cash was required for the equity investments and dividend distribution of the Group during the period, and the aggregate of both resulted in a decrease in net current assets of the Group at the end of the Reporting Period as compared with that at the end of last year. In view of the financial position and capital requirement of the Company, the Group will prevent liquidity risk by strengthening the capital planning and arrangement for subsidiaries and major projects, replacing short-term borrowings with long-term financing in due course and maintaining appropriate cash on hand and sufficient banking facilities.

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, cash used in wealth management has been retrieved, and no deposit was placed in non-bank financial institutions or applied to investment in securities.

Unit: Million Currency: RMB

	31 December 2017	31 December 2016	Change
Net current assets	**-2,869**	3,215	-6,085
Cash and cash equivalents	**1,687**	4,244	-2,557
Banking facilities available	**13,524**	13,114	410

Management Discussion and Analysis

5. Financial Strategies and Financing Arrangements

During the Reporting Period, domestic financial credit tightened and the funds price rose sharply. The Group further strengthened the overall management of funds, raised funds for business development through multiple channels and in the meantime made reserve of financial resources to maintain the flexibility of its financial structure. During the Reporting Period, the Group withdrew syndicated loans for the construction of engineering projects, fulfilled the requirements of investment and mergers and acquisitions through self-owned funds and mergers and acquisitions loan etc. and arranged working capital loans which were used for operation turnover and repayment of due debts etc. In addition, after the approval by the Board, the Group planned to launch an investment and acquisition fund of no more than RMB5 billion. During the Reporting Period, the Group obtained the registered amount of RMB3 billion of its medium-term notes. The RMB2.2 billion A Shares Convertible Bonds was approved by the general meeting and it was scheduled to be submitted to CSRC for approval in 2018.

The Group's composite borrowing costs for the Reporting Period amounted to 4.68% (2016: 4.97%), which was 0.29 percentage point lower than that in 2016. 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 specific borrowing structure is shown as follows:

During the Reporting Period, the Company continued to maintain the highest credit rating of AAA for domestic entities, and maintained the existing investment grade ratings for international entities. As for credit ratings of debt, corporate bonds and medium-term notes remained at the highest credit rating of AAA.

As at 31 December 2017, the Group had obtained a total of RMB23 billion of banking facilities, including RMB12.4 billion of credit facilities specifically for construction projects and RMB10.6 billion of general credit facilities. As at the end of the Reporting Period, unutilised banking facilities amounted to RMB13.5 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 Annual Report.

(IV) Analysis of the Investment

1. General Analysis on External Equity Investments

(1) Material Equity Investments

During the Reporting Period, the total equity investment of the Group amounted to approximately RMB7,222 million (2016: RMB2,452 million), representing a YOY increase of RMB4,770 million, mainly due to the acquisition of equity interests in Derun Environment, Yichang Company and Coastal Company. For details, please refer to the content in "Business Review" above. The details of material equity investments in 2017 are as follows:

Unit: '000 Currency: RMB

Name of investee companies	Major business	Shareholding	Investment Amount in 2017	Description
Derun Environment	Mainly engaged in renewable resources recovery and utilisation, remediation management of environmental pollution and repairing management of polluted soil, including investment, development and management of waste disposal and incineration power generation projects, research and development, and manufacture of special equipment and instruments to prevent environmental pollution.	20%	**4,408,645**	During the Reporting Period, Environmental Company, a subsidiary of the Company, acquired 20% equity interests in Derun Environment at a consideration of RMB4,408 million. At the end of May 2017, relevant equity transfer procedures have been completed.
Coastal Company	Construction, operation and management of Coastal Project.	100%	**1,472,000**	During the Reporting Period, the Company acquired 100% equity interests in Coastal Company at a consideration of RMB1,472 million. As at 31 December 2017, relevant transfer procedures were not completed.
Yichang Company	Operation and management of the expressway from Yiyang to Changde during the period authorised by the Hunan Provincial People's Government; sales of highway construction, maintenance facilities, equipment and materials; investment in road construction and road maintenance.	100%	**1,270,000**	During the Reporting Period, the Company acquired 100% equity interests in Yichang Company at a consideration of RMB1,270 million. Relevant equity transfer procedures have been completed during the Reporting Period.
Water Planning Company	Scientific research, consultation, surveying, measurement and design of water, municipal, construction and landscape planning projects; water construction quality inspection; research on hydrological and water resources, pollution control facilities operation services; surveying and design of geological disaster management; and general contracting, project management and related technical and management services of construction projects.	15%	**61,890**	On 13 July 2017, the Company jointly signed the Capital Injection Agreement for Enterprises with SIHCL, Water Planning Company and other new shareholders to subscribe for additional registered capital of RMB6 million in Water Planning Company with total investment of RMB61.89 million. During the Reporting Period, relevant trading procedures have been completed.

Management Discussion and Analysis

(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, reconstruction and expansion for Meiguan Expressway and Outer Ring Project, 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 RMB961 million. The investments in major projects are as follows:

Unit: '000 Currency: RMB

Project name	Project amount	Project progress	**Amount invested during the Reporting Period**	Actual accumulated amount invested	Gains from the project
Qinglian Project	6,125,390	100%	**9,610**	6,086,840	For details of the operational performance of projects (except for Outer Ring Project which is 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%	**1,246**	3,078,920	
Reconstruction and expansion for Meiguan Expressway	696,302	100%	**15,910**	657,672	
Outer Ring Project	6,500,000	32%	**877,029**	1,237,979	
Total	/	/	**903,795**	11,061,411	/

(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	**0**	-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 2017		2017			Principal business
			Total assets	Net assets	Revenue	Operating profit	Net profit/ (Net loss)	
Meiguan Company	100%	332,400	**405,838**	**526,221**	**136,909**	**5,321**	**3,617**	Construction, operation and management of Meiguan Expressway.
Jihe East Company	100%	440,000	**1,750,910**	**1,487,478**	**718,122**	**440,938**	**325,860**	Construction, operation and management of Jihe East.
Mei Wah Company	100%	HK$795,381	**1,915,458**	**1,333,004**	**370,553**	**174,860**	**137,209**	Indirectly holding 25% interests in Qinglian Company, 10% interests in Qinglong Company and 55% interests in Magerk Company.
Qinglian Company	76.37%	3,361,000	**7,388,823**	**2,636,294**	**741,990**	**99,193**	**73,589**	Construction, operation and management of Qinglian Expressway and related auxiliary facilities.
JEL Company (consolidating Magerk Company)	100%	US$28,000	**772,883**	**671,950**	**370,553**	**141,376**	**105,964**	JEL Company: investment holding (holding interests in Magerk Company); Magerk Company: toll collection and management of Wuhuang Expressway.
Qinglong Company	50%	324,000	**4,014,054**	**2,279,796**	**651,010**	**172,674**	**132,222**	Development, construction, toll collection and management of Shuiguan Expressway.
Investment Company	100%	400,000	**1,471,280**	**798,503**	**330,509**	**44,289**	**18,953**	Investment in industries and project construction.
Guishen Company (consolidating Guizhou Property)	70%	500,000	**1,353,625**	**746,973**	**317,439**	**52,890**	**39,637**	Guishen Company: investment, construction and management of road and urban and rural infrastructure. Guizhou Property: real estate development in Longli, Guizhou.
United Land Company	49%	5,000,000	**5,192,468**	**4,990,111**	**–**	**-403**	**–713**	As the reporting entity and legal person for the Meilin Checkpoint Renewal Project, it is responsible for acquiring the land, demolition and relocation and other works in respect of the Meilin Checkpoint Renewal Project.
Yichang Company	100%	345,000	**3,173,506**	**1,326,643**	**228,392**	**75,290**	**56,643**	Construction, operation and management of Yichang Expressway.
Environmental Company	100%	4,460,000	**4,567,487**	**4,558,941**	**–**	**110,129**	**110,129**	Investment and launching of projects of environmental protection industry as well as investment, construction, operation and management of municipal public works and environmental management engineering. The major asset is 20% equity interests held in Derun Environment.
Derun Environment	20%	1,000,000	**31,105,086**	**19,494,655**	**4,987,708**	**2,159,376**	**1,469,353**	The principal business of Derun Environment is investment holding. The major assets are 50.04% and 57.12% equity interests held in Water Group and San Feng Environment, respectively.

On the above table, the 2017 income and net profit of Yichang Company and Derun Environment are the data achieved after the completion of acquisition of the related shares by the Company this year. For details of the operational and financial performance of the above major controlling companies and participating companies and their businesses during the Reporting Period, please refer to related contents in "Business Review" above.

Management Discussion and Analysis

(VI) Analysis and Instruction of the Reasons and Effects of the Changes in Accounting Policy and Accounting Estimates by the Company

The Ministry of Finance of the PRC (the "Ministry of Finance") has successively issued/revised the Accounting Standards for Business Enterprises No. 42—Non-Current Assets and Disposal Groups Held for Sale and Termination of Business Operation and Accounting Standards for Enterprises No. 16 – Government Grants in 2017 which require execution within the scope of all enterprises that implement the Accounting Standard for Business Enterprises from 28 May 2017 and 12 June 2017 respectively. The Ministry of Finance also issued the Notice of Ministry of Finance on Revising the Format of Issuing General Enterprises Financial Statements (Caikuai [2017] No.30) (the "Format Notice") which requires that the non-financial enterprises which implement the Accounting Standards for Business Enterprises shall prepare the financial statements for 2017 and subsequent periods in accordance with the Accounting Standards for Business Enterprises and the Format Notice. The Company has adopted the above new accounting standards and made corresponding changes in accounting policies when preparing the Group's 2017 annual financial statements. The changes in these accounting policies basically have no impact on the financial status and operating results of the Group in 2017 and 2016.

In addition, the Ministry of Finance has also successively amended five criteria such as the Accounting Standards for Business Enterprises No. 14, 22, 23, 24 and 37 in 2017 (the latter four Standards are referred to as "the New Financial Instrument Standards"). In accordance with the requirements of these accounting standards, the Company as an A+H shares listed company, will adopt the five newly revised accounting standards and change the relevant accounting policies from 1 January 2018. After evaluation, the adoption of Accounting Standards for Business Enterprises No. 14 is expected to have no significant impact on the recognition of the Group's existing contract revenue. The adoption of the New Financial Instrument Standards will mainly involve the reclassification and measurement of financial assets. Based on the assessment of the Group, the Group does not expect the adoption of the New Financial Instrument Standards to have a material impact on the classification and measurement of other financial assets, except that financial assets currently classified by the Group as available-for-sale financial assets will be reclassified as financial assets at fair value through current profit or loss or financial assets at fair value through other comprehensive income. The Group is in the process of assessing the impact of the fair value of such investments and the aforesaid changes in the consolidated financial statement. In addition, based on the assessment of the Group, the adoption of the New Financial Instrument Standards will not have any material impact on the bad debt provisions for the Group's trade receivable.

For details of the reasons for the above policy changes and their impact, please refer to Note III\29 to the Financial Statements in this report.

(VII) Proposed Profit Distribution

The Company's 2017 audited consolidated net profit and the net profit of the parent company in accordance with CASBE were RMB1,426,402,801.01 and RMB1,074,064,910.82 respectively. Pursuant to the relevant PRC laws and regulations and the Articles of Association, the Company transferred RMB107,406,491.08 to its statutory surplus reserve for the year of 2017 and the Board recommended the payment of a final dividend of RMB0.30 (tax included) per share in cash to all shareholders, totalling RMB654,231,097.80 for the year ended 31 December 2017, representing 45.9% of the net profit as shown in the consolidated financial statements for the year of 2017. The balance after distribution shall be carried forward to the next year. No conversion of capital reserve into share capital has been carried out during the year. The aforesaid proposal will be submitted for approval at the 2017 Annual General Meeting of the Company.

1. **Formulation, Implementation or Adjustment of Cash Dividend Policy**

The Company has always adhered to the principle of rewarding its shareholders and has been paying cash dividends for 20 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 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 in formulating/implementing the profit distribution proposal in accordance with the policy shall be subject to consideration at the general meeting as a special resolution. In addition, Proposal on Shareholders' Return for the Next Three Years (2017-2019) of the Company ("Shareholders' Return Proposal") has been approved by the general meeting in 2017. The Company will endeavor to increase its cash dividend ratio in the next three years (2017-2019). When the financial and cash position are good and there is no significant investment plan or cash expenditure, the Company intends to allocate not less than 45% of the distributable profits realised during the year as cash dividend every year.

The 2017 profit distribution proposal (including the cash dividend proposal) formulated by the Company was in compliance with the relevant requirement of the Articles of Association and Shareholders' Return Proposal. In the course of formulating and determining the proposal, the Independent Directors 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. **Plan/Proposal of Profit Distribution and Conversion of Capital Reserve into Share Capital of the Company in the Past Three Years**

Unit: RMB

Year of dividend distribution	Number of bonus issue (share) for every 10 shares	Dividend (RMB) for every 10 shares (including tax)	number of share (share) for conversion of capital reserve into share capital for every 10 shares	Total cash dividend (including tax)	Net profit in consolidated financial statements in the year of dividend distribution	Percentage (%) of dividend distributed to net profit in consolidated financial statements
2017 (Proposed)	0	3.00	0	654,231,097.80	1,426,402,801.01	45.9
2016	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

Management Discussion and Analysis

III. Outlook and Plans

(I) Industry Competition Landscape and Development Trend

The Group's basic assessment on the operating environment can be referred to the relevant contents as set out in "Future Outlook" under "Chairman's Statement".

According to the agreement entered into between the Company and Shenzhen Transport Commission, Shenzhen Transport Commission shall be entitled to early reclaim the toll collection rights for the Three Projects, namely Nanguang Expressway, Yanpai Expressway and Yanba Expressway, in 2018 at its option. If Shenzhen Transport Commission opt to early reclaim the toll collection rights of the above Three Projects, the Company will, in 2018, recognise the one-off gains from disposals of assets and reduce the equity mileage of toll highways by approximately 76km as well as the revenue and profit in respect of the Three Projects in the future year of the Three Projects.

According to information announced, Shenzhong Expressway connecting Shenzhen and Zhongshan is under construction and is expected to commence operation in 2024. Both Shenzhong Expressway and Coastal Expressway will be connected to Jihe Expressway in the future, which will result in improvement of the road network and thus help to improve the operational performance of Jihe Expressway. However, it will also bring greater pressure on the capacity and operational management of Jihe Expressway. In this respect, the Group has commenced the preliminary work in relation to the reconstruction and expansion of Jihe Expressway and will determine the implementation proposal of the reconstruction and expansion as well as the investment model based on the research results of the preliminary work.

(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 determine the new direction of the industry so as to achieve the sustainable development of the Company". In view of the domestic transport infrastructure and comprehensive urban exploitation, the promising development prospect and immense business opportunities for the development of the further environmental protection industry as well as the compatibility of the business model and core competitiveness, the Company has basically decided the development directions of placing emphasis on and implementing new projects for the above two industries. In this connection, the Company will actively explore and put into practice the transformation and development of the Company's business to ensure stable and sustainable development of its business operation.

(III) Operation Plans

In 2018, 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 2018 of not less than RMB5.7 billion, with the total of operating costs, management expenses and selling expenses (excluding depreciation and amortisation) of approximately RMB1.7 billion. In 2018, it is expected that the average borrowing scale (including the compensation received in advance from Shenzhen government regarding the toll adjustment of Three Expressways) and the financial cost of the Group will increase on a YOY basis.

- **Toll Highway Business:** In response to the development trend of informatisation and big data, the Group will further enhance users experience by introducing innovative intelligent transportation. It will also strengthen the cooperation with domestic first-class professional organisations, construction companies and academic institutions so as to establish its key projects, such as Outer Ring Expressway, as exemplar and paragon of Shenzhen Expressway in the area of highway construction, management and maintenance. Moreover, the Group will proactively explore opportunities for mergers and restructuring, invest in potential toll road and bridge projects and continue to upgrade its core business of toll highway.

- **Environmental Protection Business:** The Group will step up its efforts in innovating the mechanism and system for its core business of environmental protection, at the same time enhancing the communication and cooperation with Water Planning Company, Derun Environment and their shareholders in a view to commencing in-depth cooperation for new projects. In addition, while following up on environmental protection projects that have achieved preliminary progress, the Group will also conduct in-depth study on new projects and proactively seek opportunities for mergers and acquisitions in sub-sectors.

- **Business Expansion:** As a strategic positioning of "Construction and Operation Service Provider of Urban and Transport Infrastructure", Shenzhen Expressway has proactively pushed ahead with the existing projects in Shenzhen-Shanwei Special Cooperation Zone and Longli County, Guizhou. Besides, it will further explore and look for new projects to promote the vertical and horizontal expansion of the developed areas. In addition to pushing forward the work in relation to the development of Meilin Checkpoint Renewal Project, the Group will also strengthen the preliminary work in respect of the reconstruction and expansion of Jihe Expressway. More efforts will be made in the research, reserves, selection and examination of new projects that are in line with the Company's development strategies and risk monitoring and management will be conducted on an on-going basis.

- **Financing and Financial Management:** The Group will enhance the management over capital planning and strengthen the analysis on financial risks monitoring. It will cope with the changes in the financial policy and market environment in a proactive manner and integrate the Group financial resources to ensure financial security. Moreover, the Group will ensure proper filing of the documents in relation to the issuance of A Shares Convertible Corporate Bonds while continuing to strengthen the cooperation with banks and other enterprises in a view to maintaining its credit ratings and securing smooth financing channels. It will also formulate solutions to improve debt structure and capital structure and select a financing model that will be suitable for the Company's development strategy and to provide support for the development strategy of the Group.

Management Discussion and Analysis

(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. It is expected that the Group's total capital expenditure will amount to approximately RMB5.9 billion by the end of 2020. 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 2018 to 2020 is as follows:

Unit: '000 Currency: RMB

Project	2018	2019	2020	Total
1. Outer Ring Project	1,283,612	2,051,622	1,396,696	4,731,930
2. Nanguang Project	11,065	56,910	2,340	70,315
3. Qinglian Project	28,466	1,030	500	29,996
4. Reconstruction and expansion of Meiguan Expressway	37,426	1,200	–	38,626
5. Coastal Phase II	17,391	300,000	400,000	717,391
6. Others	308,259	–	–	308,259
Total	**1,686,219**	**2,410,762**	**1,799,536**	**5,876,517**

(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 "Internal Control" section in this annual report. Currently, the Company focuses on internal and external risk issues in respect of policy, market, business expansion, and construction management.

1. Policy Risk

Risk position/analysis:

The policy risks faced by the Company primarily include the risks in relation to toll policy and monetary policy.

The operational performance of the toll highway will be affected by various management measures and traffic arrangements launched by the local government. For example, the policies in relation to the restriction on purchase of automobile, restriction on the use of vehicles and offering of discount for vehicles that meet certain standards may bring certain negative impact on the current traffic volume and future traffic growth of regional road networks.

The government has, for several times, clearly stated its attitude towards deleveraging and curbing bubble. It is anticipated that the supply of capital will be tightened and capital cost will increase. In addition, the Group will have to raise funds for satisfying the construction costs of Outer Ring Project, Coastal Phase II, Duohua Bridge and others in the next few years, therefore will enter the peak period of capital expenditures. In the event that the extent of tightening of monetary policy in the future is greater than expected, the Group may be subject to the risk of increase in capital cost.

Management/response measures:

In general, the local government introduces traffic management policies and traffic arrangements to fulfil traffic management functions and ensure smooth traffic in the road network. The Group will actively communicate and interact with the local government, at the same time strengthen the operation and management of the respective roads 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, drivers and passengers.

The Group's excellent capital management capability is one of its major core advantages. On one hand, the Group's good market reputation in the bank borrowing market and bond issuance market has provided it with smooth fund raising channels. On the other hand, the Group is capable of making forward-looking planning and arrangement for future capital requirements. The Company has commenced the preparatory work for the issuance of A Shares Convertible Bonds in the amount of RMB2.2 billion. Such issuance has been approved by the general meeting and it is expected that the declaration documents for the issuance will be submitted to the CSRC recently.

2. Market Risks

Risk position/analysis:

According to the agreement entered into between the Company and the Shenzhen Government, the Company will implement the toll-free policy for Nanguang Expressway, Yanpai Expressway and Yanba Expressway while 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 Shenzhen Government will purchase traffic services; in Phase 2, Shenzhen Government may choose to purchase services continuously or early reclaim interests in the roads by making compensations accordingly. If Shenzhen Government opts to pay to early reclaim the interests in the roads during Phase 2, the Company will increase the one-off gains from disposals of assets and reduce tolls income, profits and cash flow from operation in the future periods accordingly. With strengthening finance of the local government and development of local economy to a certain extent, 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.

Management/response measures:

The Group and 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 Shenzhen Government chooses during Phase 2. Facing a new operation and policy environment, the Company on one hand maintains active communication with competent government authorities to jointly explore new industry 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 continue to push forward the development of its toll highway business and at the same time further expand the development of this core business 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.

Management Discussion and Analysis

3. Business Expansion Risks

Risk position/analysis:

The Group chose the environmental protection industry as its second core business. The environmental protection business is different from the toll highway business. The Group still has inadequacies with respect to technical experience and talent cultivation at present stage. If the Group fail to promptly accumulate experience in relation to the environmental protection industry and nurture sufficient talents in the near future, it may not be able to satisfy the requirements for the development in the environmental protection industry, which will in turn affect the revenue of the environmental protection projects, capital safety, outcomes of business expansion and even the overall performance of the Group.

As the toll highway projects become mature, the needs for expansion started to emerge for some of the projects, such as Jihe Expressway and Yangmao Expressway, a joint-stock project. Similar to the construction of new expressway, the reconstruction and expansion of the existing projects are also subject to the increase in land acquisition and demolition cost as well as construction costs. Under normal circumstances, the tolling period can be extended as appropriate if the reconstruction and expansion were carried out for the purpose of improving the traffic capacity. The reconstruction and expansion of the existing projects are subject to material risk, that is, whether the enhancement of traffic capacity through reconstruction and expansion and the increase in revenue through the extension of tolling period will be able to cover the investment made for reconstruction and expansion and whether it will be able to bring reasonable investment return.

Management/response measures:

Before entering into the environmental protection industry, the Group has conducted a comprehensive and objective analysis on its own advantages and the external environment, through which it has gained an understanding of its own strengths and weaknesses and therefore chose to implement the strategy of cooperating with the leaders in the sub-sectors. This would not only enable it to learn from the industry benchmark, but would also give full play to their respective advantages and achieve synergy by taking the existing projects as platforms for in-depth cooperation. In addition, on the basis of strengthening its teambuilding initiatives, the Group will employ professionals to join its management team and engage professional organisation as management adviser to consolidate quality resources in the industry.

The Group has accumulated experience in evaluating the value of toll highway projects over the years and it is confident that it can implement the investment decision of reconstruction and expansion for various projects smoothly. Besides, the Group can also fully demonstrate its capability to innovate business models while studying and negotiating with government departments and potential financial investors for reasonable project investment and financing proposals with a view to satisfying the needs for social development and commercial return and finally achieving a win-win situation for the public, government and enterprises.

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 projects in progress may face the risks of rising costs and delayed delivery. In 2018, the Group's main construction projects will include Section A of Outer Ring, Coastal Phase II, Duohua Bridge and Shenzhen-Shanwei Special 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 enters into peak period, the efforts required to ensure project quality and safety management increase, objectively giving rise to quality and safety risks.

Management/response measures:

The Group specifies the adjustment methods of material spreads and material price in construction contracts, which can effectively reduce or transfer building material price fluctuation risks through the terms of the contract. Generally, the risk in relation to costs and construction period of land acquisition and demolition will be specified in the contracts with the government and the Group will enhance the communication with the government during the process. The Group has established a sound management system for change of construction projects. For changes of construction projects due to various reasons, authority and responsibility will be allocated on an equal basis and specified in the business contracts. During the construction process, the construction company of each project will, according to the characteristics and management requirements of each construction projects, carefully sort out project priorities and difficulties, rationally optimise the construction design, and enhance and improve the measurement and payment control measures so as to achieve dynamic cost control and management objectives.

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.

Report of the Directors

The Board is pleased to present herewith the Report of the Directors and the audited financial statements for the year ended 31 December 2017. The financial statements were prepared in accordance with CASBE, and also in compliance with the disclosure requirements under the Hong Kong Companies Ordinance and the Listing Rules of HKEx.

Principle Activities and Business Review

The principal activities of the Group are the investment, construction and operation management of toll highways and roads as well as other urban and transport infrastructure in the PRC. During the Reporting Period, there is no substantial change in respect of the Group's businesses. Discussion and analysis of the Group's business as required by the relevant regulations and guidelines (including but not limited to the Hong Kong Companies Ordinance) can be found in "Management Discussion and Analysis" in this annual report, the Notes to Financial Statements and the Social Responsibility Report 2017 of the Company dated 23 March 2018.

Major Customers and Suppliers

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

Results and Profit Distribution

The results of the Group for the year ended 31 December 2017 are set out in Consolidated Statement of Profit or Loss and Other Comprehensive Income in this annual report.

The Board recommended the payment of a final dividend of RMB0.30 (tax included) per share in cash for 2017, the details of which are set out in "Financial Analysis" of "Management Discussion and Analysis" in this annual report.

Financial Highlights of the Group

The financial positions of the Group and the Company as at 31 December 2017 are set out in Consolidated Statement of Financial Position and Company Statement of Financial Position in this annual report.

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

Share Capital

The share capital of the Company was RMB2,180,770,326. Details are set out in "Share Capital and Shareholders" and note V\31 to the Financial Statements in this annual report.

Purchase, Sale or Redemption of Securities

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

Pre-emptive Rights

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

Tax and Tax Relief

Shareholders are taxed in accordance with the following tax regulations and the amendments thereof from time to time. They shall enjoy possible tax relief according to the actual situation. The following cited laws, regulations and stipulations are all relevant provisions issued before 31 December 2017. Shareholders should, if necessary, consult professional tax and legal advisors for advices relating to specific tax payment or the impact therefrom.

Holders of A Shares:

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

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

Holders of H Shares:

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

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

Investors of Shanghai-Hong Kong Stock Connect Program:

For tax matters on individual investors in the PRC investing in H shares listed on HKEx and the investors in Hong Kong investing in A shares listed on the Shanghai Stock Exchange under Shanghai-Hong Kong Stock Connect Program, please refer to Notice on Tax Policy Concerning the Pilot Inter-connected Mechanism for Trading on the Stock Markets of Shanghai and Hong Kong (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) (Cai Kuai [2014] No. 81) and Notice on Continuing Implementation of the Individual Income Tax Policy Concerning the Inter-connected Mechanism for Trading on the Stock Markets of Shanghai and Hong Kong (《關於繼續執行滬港股票市場交易互聯互通機制有關個人所得稅政策的通知》) (Cai kuai [2017] No. 78) jointly issued by the Ministry of Finance, State Administration of Taxation and CSRC.

Report of the Directors

Charity Donations

During the Reporting Period, the Group donated RMB1,009,400 for charity or public welfares.

Environmental policies and performance

For the Group's environmental policies and performance during the Reporting Period, please refer to the Company's social, responsibility report 2017.

Reserves

The amounts and details of material transfers to and from reserves of the Group and the Company during the Reporting Period are set out in notes V\34-36 to the Financial Statements in this annual report.

Fixed Assets and Intangible Assets

The movements in fixed assets and intangible assets of the Group during the Reporting Period are set out in notes V\14 and 16 to the Financial Statements in this annual report respectively.

Bank Loans and Other Borrowings

Details of bank loans and other borrowings of the Group and the Company as at the end of the Reporting Period are set out in notes V\20, 28, 29 to the Financial Statements in this annual report.

Subsidiaries and Joint Ventures

Details of the Company's subsidiaries and joint ventures are set out in notes VII\1 and V\12 to the Financial Statements in this annual report respectively.

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

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

(2) Details of the remuneration received by the Management during the Reporting Period are set out in "Directors, Supervisors, Senior Management and Employees" and notes X\5(4) to the Financial Statements in this annual report.

(3) Service contracts:

Each of the Directors of the seventh session of the Board had entered into director's service contract with the Company. Contents of such contracts are the same in all material respects. The service contract of Director Cai Shu Guang was effective from 23 May 2017 to 31 December 2017. The service contracts of Directors Liao Xiang Wen, Liu Ji and Chen Yuan Jun were effective from 23 November 2016 to 31 December 2017. The service contracts of other Directors were effective from 1 January 2015 to 31 December 2017. Save as the aforesaid, no service contracts that can be terminated within one year without compensation (other than general statutory compensation) have been or proposed to be entered into between the Company and the Directors or the Supervisors.

(4) Interests in contracts:

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

None of the Management has conflict of interests in any contract or arrangement entered into by any member of the Group or any contract or arrangement which subsist at the date of this annual report and which is significant to the business of the Group.

(5) Loans provided to senior management:

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

(6) Rights to subscribe for shares or debentures:

As at 31 December 2017, the interests or short positions of the Directors, the Supervisors or the Chief Executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part 15 of Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) which were required to be entered into the register maintained by the Company under Section 352 of Securities and Futures Ordinance (including interests and short positions deemed or taken to have under such provisions of Securities and Futures Ordinance) or which were required to be notified to the Company and HKEx pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (collectively, "interests or short positions") were as follows:

Long positions in ordinary shares of Shenzhen International:

Name	Number of ordinary shares held as at 31 December 2017	Change during the Reporting Period	Approximate percentage of ordinary shares held in the issued share capital of Shenzhen International	Nature of interests	Capacity
Hu Wei	120,716	–	0.006%	Personal	Beneficial owner
Tse Yat Hong	1,902,155	+420,481	0.094%	Personal	Beneficial owner
Zhong Shan Qun	212,000	+212,000	0.010%	Personal	Beneficial owner
Zhao Jun Rong	100,000	+100,000	0.005%	Personal	Beneficial owner

Report of the Directors

Interests in share option of Shenzhen International:

Name	Warrant	Number of share option unexercised as at 31 December 2017 (1)(2)	Change during the Reporting Period				Nature of Interests	Capacity
			Adjustment during the Reporting Period (1)	Granted during the Reporting Period (2)	Exercised	Lapsed		
Hu Wei	share option scheme1	441,910	174,410	–	-782,500	–	Personal	Beneficial owner
	share option scheme2	950,000	–	950,000	–	–		
Wu Ya De	share option scheme2	760,000	–	760,000	–	–	Personal	Beneficial owner
Wang Zeng Jin	share option scheme1	166,442	66,442	–	-300,000	–	Personal	Beneficial owner
Liao Xiang Wen (3)	share option scheme1	133,221	33,221	–	-100,000	–	Family interests	Beneficial owner
	share option scheme2	380,000	–	380,000	–	–		
Zhao Jun Rong	share option scheme1	404,410	174,410	–	-820,000	–	Personal	Beneficial owner
	share option scheme2	950,000	–	950,000	–	–		
Tse Yat Hong	share option scheme1	367,323	104,646	–	-367,323	–	Personal	Beneficial owner
	share option scheme2	950,000	–	950,000	–	–		
Liu Ji	share option scheme1	224,298	59,798	–	-195,500	–	Personal	Beneficial owner
	share option scheme2	510,000	–	510,000	–	–		
Zhong Shan Qun	share option scheme1	595,410	174,410	–	-629,000	–	Personal	Beneficial owner
	share option scheme2	950,000	–	950,000	–	–		

Note:

(1) The share option scheme1 was granted on 29 January 2014 and could be exercised during the period from 29 January 2016 to 28 January 2019 pursuant to the grant provision. On 23 June 2017, Shenzhen International adjusted the exercise price and quantity of the outstanding share options. The exercise price was adjusted from HK$10.4 per share to HK$8.919 per share.

(2) The share option scheme 2 was granted on 26 May 2017 and could be exercised during the period from 26 May 2019 to 25 May 2022 pursuant to the grant provision with the exercise price of HK$12.628 per share.

(3) The interest is owned by the Director Liao Xiang Wen's spouse.

Saved as disclosed above, as at 31 December 2017, none of the Management had interests or short positions defined above.

Progress of the Public Issuance of A Share Convertible Corporate Bonds

On 9 November 2017, the 29th meeting of the seventh session of the Board of the Company considered and passed the relevant resolution regarding the public issuance of A Share Convertible Corporate Bonds. On 6 December 2017, Shenzhen SASAC issued an approval, whereby the Company's overall proposal of the public issuance of not more than RMB2.2 billion A Share Convertible Corporate Bonds was approved in principle. Such approval shall be effective for a period of 12 months from the date when the said proposal is considered and passed by the general meeting of the Company. On 28 December 2017, the relevant resolution was considered and approved by the First Extraordinary General Meeting and Class Meeting of the Company in 2017 respectively. For details, please refer to the announcements of the Company dated 9 November 2017, 14 December 2017 and 28 December 2017, respectively. The public issuance of A Share Convertible Corporate Bonds by the Company is still subject to the approval by the CSRC.

Significant Transaction

On 20 January 2017, the Company and Pingan Innovation entered in an agreement. The Company agreed to acquire 100% equity interests in Yichang Company at a price of RMB1.27 billion. The transaction was completed during the Report Period. Yichang Company principally engages in the operation and management of Yichang Expressway. For details, please refer to the announcement of the Company dated 20 January 2017.

On 25 May 2017, Environmental Company, a wholly-owned subsidiary of the Company, entered in an equity transfer agreement with Water Asset. Environmental Company acquired 20% equity interests in Derun Environment from Water Asset at a price of RMB4,408,644,500. The transaction was completed during the Report Period. Derun Environment principally engages in water treatment and waste incineration power generation. For details, please refer to the announcements of the Company dated 19 May 2017 and 25 May 2017, and the circular of the Company dated 29 May 2017.

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

Through public tendering, Outer Ring Company entered into construction contracts of the second, third, fourth, sixth and ninth sections of Outer Ring Section A with China Railway 12th Bureau Group Co., Ltd., CCCC Second Highway Engineering Bureau Co., Ltd., CCCC Second Harbour Engineering Bureau Co., Ltd., China Railway 18th Bureau Group Co., Ltd. and CCCC Third Harbour Engineering Bureau Co., Ltd. on 24 March 2016 respectively. The total contract prices are RMB1,167 million, RMB1,237 million, RMB956 million, RMB962 million and RMB929 million respectively. The total contract prices are determined based on the bid prices submitted by each of the construction contractors for the public tenders for the construction of the relevant sections of Outer Ring Section A conducted by Outer Ring Company. For details, please refer to the announcement of the Company dated 24 March 2016. As at the end of the Reporting Period, the contract amounts recognised in each section were RMB171 million, RMB165 million, RMB195 million, RMB165 million and RMB204 million respectively.

Connected Transactions

(1) Related Party Transactions and Connected Transactions

On 6 April 2017, the Company and Shenzhen United Property and Share Rights Exchange signed the confirmation of the transaction, pursuant to which the Company is recognised as the finalised type A investor in the Water Planning Company Capital Injection Project, and it shall inject RMB61,890,000 into Water Planning Company in return for 15% registered capital in Water Planning Company (the price being RMB10.315 per registered capital) upon completion of the capital injection. On 13 July 2017, the Company, SIHCL and the other investors entered into the capital injection agreement. As SIHCL, at the time of entering into the agreement, holds more than 40% equity interests in SZ International and 100% equity interests in Water Planning Company, and SZ International indirectly owns approximately 51% interests in the Company, the transaction constitutes a related party transaction/connected transaction of the Company under the Listing Rules of SSE and the Listing Rules of HKEx. For details, please refer to the joint announcements of SZ International and the Company dated 6 April 2017 and 13 July 2017, respectively.

On 11 December 2017, the Company, SIHCL and Coastal Company entered into the acquisition agreement. Pursuant to the acquisition agreement, SIHCL shall transfer to the Company its 100% equity interest in Coastal Company at a transfer price of RMB1,472 million. As SIHCL, at the time of entering into the agreement, holds more than 40% of shares in SZ International and Coastal Company is a wholly-owned subsidiary of SIHCL, and SZ International indirectly owns approximately 51% interests in the Company, the transaction constitutes a related party transaction/connected transaction of the Company under the Listing Rules of SSE and the Listing Rules of HKEx. For details, please refer to the joint announcements of SZ International and the Company dated 8 December 2017 and 11 December 2017, and the circular of the Company dated 23 January 2018, respectively. The transaction was approved by the general meeting of SZ International and the Company on 5 February 2018 and 8 February 2018, respectively. As at the date of this report, the transaction has been completed. In addition, as agreed under the acquisition agreement, the entrusted operation and management agreement in relation to the entrusted management of Coastal Company entered into by the Company and SIHCL on 6 November 2009, the entrusted construction agreement and supplemental entrusted construction agreement in relation to the entrusted construction management of Coastal Project entered into by the Company and Coastal Company on 9 September 2011 and 1 June 2016, respectively, and the entrusted management agreement in relation to the entrusted operation management of Coastal Phase I entered into by the Company and Coastal Company on 30 December 2016 were duly terminated.

Report of the Directors

(2) Daily Related Party Transactions and Continuing Connected Transactions

On 30 December 2016, the Company entered into the entrusted operational management service agreement with Coastal Company. Pursuant to this agreement, Coastal Company entrusted the management and maintenance of the highway assets and related ancillary facilities and the operation of toll collection of Coastal Phase I to the Company during the period from 1 January 2017 to 31 December 2019, with entrusted management service fee of RMB18,000,000 per annum. For details, please refer to the announcement of the Company dated 30 December 2016. As Coastal Company, at the time of entering into the agreement, is a wholly-owned subsidiary of SIHCL (a controlling shareholder of SZ International within the meaning of the Listing Rules), and SZ International indirectly owns approximately 51% interests in the Company, the transaction constitutes a daily related party transaction/continuing connected transaction of the Company under the Listing Rules of SSE and the Listing Rules of HKEx. For details, please refer to the announcement of the Company dated 30 December 2016.

As described above, the Company has entered into the acquisition agreement with SIHCL and Coastal Company. Upon completion of the acquisition agreement, Coastal Company will become a wholly-owned subsidiary of the Company. As such, the Company has received entrusted management fee for Coastal Phase I for the period up to the base date of acquisition (31 October 2017). As at the date of this report, the aforesaid entrusted operational management service agreement was duly terminated as agreed under the acquisition agreement.

The Independent Directors of the Company has conducted an annual review on this continuing connected transaction and confirmed that the transaction was on normal commercial terms and in the ordinary and usual course of business of the Company, and during the Reporting Period the transaction was in accordance with the terms of the entrusted management agreement entered into and as agreed under the acquisition agreement, and that the terms are fair and reasonable and in line with the interests of the Company and the Shareholders as a whole. The auditor of the Company has conducted an annual review on this continuing connected transaction pursuant to the requirements of the Listing Rules of HKEx and issued a written letter on the matters described in Rule 14A.56 of the Listing Rules of HKEx.

On 30 December 2015, the Company entered into an entrusted management agreement with Shenzhen Baotong Highway Construction and Development Company Limited (深圳市寶通公路建設開發有限公司) ("Baotong Company"). Pursuant to such agreement, Baotong Company continued to entrust the Company to manage its 89.93% equity interests in Longda Company for a term from 1 January 2016 to 31 December 2018. The entrusted management fees are RMB18,000,000 per year. As Baotong Company, at the time of entering into the agreement, is a wholly-owned subsidiary of SZ International, and SZ International indirectly owns approximately 51% interests in the Company, the transaction constitutes a daily related party transaction/continuing connected transaction of the Company under the Listing Rules of SSE and the Listing Rules of HKEx. For details, please refer to the announcement of the Company dated 30 December 2015.

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

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

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

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

As at the date of this Report, none of the Company's funds are embezzled by its controlling shareholder or its related parties for non-operating purpose. The auditor of the Company has produced a specific report in relation to the statement of fund embezzlement by the controlling shareholders and other related parties prepared by the Company in accordance with regulations.

Management Contract

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

In 2017, the amount of entrusted assets and entrusted management fees accounted for by Magerk Company was RMB498,778,000 and RMB95,478,000 respectively. In 2017, Magerk Company achieved operating profit of RMB141,376,000, representing approximately 7.41% of the Group's operating profit, and recorded net profit of RMB105,964,000, representing 7.43% of the net profit attributable to owners of the Company. This aforesaid management contract has no material impact on the operating results and financial position of the Group.

Report of the Directors

External Guarantees

Unit: RMB million, unless otherwise stated

External guarantees of the Company (excluding guarantees for subsidiaries)										
Name of the guarantor	Name of the guaranteed party	Amount of guarantee	Date of occurrence (date of the agreement)	Commencement of guarantee	End of guarantee	Type of guarantee	Completed or not	Overdue or not	Counter guarantee provided or not	Related party guarantee or not
The Company	China Construction Bank Shenzhen Branch	800	2007-4-20	August 2007	Completion of repayment of principal and interests on the corporate bonds	Joint liability guarantee[1]	No	No	No	No
Guizhou Property	Customers of Shenzhen Expressway • Interlaken Town Phase I	416.18	2015-05 to 2017-12	Effective date of the mortgage loan contract	Effective date of the mortgage under the contract	Joint liability guarantee[3]	No	No	No	No
Total amount of guarantees occurred during the Reporting Period										238.24
Total balance of guarantees as at the end of the Reporting Period (A)										1,216.18
Guarantees for subsidiaries of the Company										
Total amount of guarantees occurred for subsidiaries during the Reporting Period										0
Total balance of guarantees for subsidiaries as at the end of the Reporting Period (B)										0
Total amount of guarantees of the Company (including guarantees for subsidiaries)										
Total amount of guarantees (A+B)										1,216.18
Proportion of total amount of guarantees to the net assets of the Company (%)										8.93
Including:										
Amount of the guarantees for shareholders, de-facto controller and their connected parties (C)										–
Amount of the debt guarantees directly or indirectly provided for those whose gearing ratio exceeded 70% (D)										800
Amount of the guarantees that exceed 50% of net assets in aggregate (E)										–
Total amount of the above three guarantees (C+D+E)										800
Description on unexpired guarantees may be confronted with joint liability										Not applicable

Description on guarantees:

(1) The external guarantees to China Construction Bank Shenzhen Branch have been approved by the 2006 Annual General Meeting of the Company. For details on the guarantee, please refer to the relevant content heading "Mortgage and Pledge of Assets" below.

(2) The provision of periodical joint liability guarantees by Guizhou Property, a subsidiary of the Company, to qualified mortgage customers of "Shenzhen Expressway • Interlaken Town" project in accordance with the business practices of the real estate industry have been approved by the fourth meeting of the seventh session of the Board of the Company held on 30 June 2015 and the 27th meeting of the seventh session of the Board held on 18 August 2017, respectively. It is expected the total amount of guarantees will not exceed RMB750 million. During the Reporting Period, Guizhou Property provided periodic guarantees for 157 customers with an accumulated amount of RMB238,240,000. As at the end of the Reporting Period, the actual amount of the guarantees provided by Guizhou Property is RMB416,180,000.

(3) The Company has not provided external guarantee in violation of the stipulated decision-making procedures.

(4) The Independent Directors of the Company have, in accordance with the relevant regulations of the CSRC, issued specific explanations and independent opinions in relation to the external guarantees of the Company.

Mortgage and Pledge of Assets

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

Assets	Type	Bank	Scope of security	Term
Toll collection rights of Qinglian Project(1)	Pledge	A consortium including China Development Bank, etc.	Principal and interests of bank loans in an aggregate amount of RMB5.9 billion	Until repayment of all liabilities by Qinglian Company under the loan agreement
100% equity interests in Meiguan Company	Pledge	China Construction Bank Shenzhen Branch	Counter-guarantee for the irrevocable guarantee with joint liability in respect of the redemption of the corporate bonds with an amount of RMB800 million upon maturity	Until repayment of corporate bonds (principal and interests)
Toll collection rights of Outer Ring Expressway(2)	Pledge	A consortium including China Development Bank, etc.	Principal and interests of bank loans in an aggregate amount of RMB6.5 billion	Until repayment of all liabilities by Outer Ring Company under the loan agreement
Toll collection rights of Shuiguan Expressway(3)	Pledge	Bank of China Central Sub-branch Industrial and Commercial Bank of China Futian Sub-branch Zheshang Bank Shenzhen Branch	Principal and interests of the current fund loan in the total amount of RMB870 million	Until repayment of all liabilities under the loan agreement
45% equity interests in JEL Company(4)	Pledge	The Hongkong and Shanghai Banking Corporation Limited	Principal and interests of bank loans in an aggregate amount of USD30 million	Until repayment of all liabilities under the loan agreement
Toll collection rights of Yichang Expressway(5)	Pledge	Bank of China Hunan Branch Industrial and Commercial Bank of China Changsha Simenkou Sub-branch Industrial and Commercial Bank of China Changde Deshan Sub-branch	Principal and interests of bank loans in an aggregate amount of RMB1.77 billion	Until repayment of all liabilities under the loan agreement

Description on mortgage/pledge of assets:

(1) Pledged by Qinglian Company, a subsidiary of the Company. As at the end of the Reporting Period, the balance of such consortium loans used by Qinglian Company was RMB1,783 million.

(2) Pledged by Outer Ring Company, a subsidiary of the Company. As at the end of the Reporting Period, the balance of such consortium loans used by Outer Ring Company was RMB1,154 million.

(3) Pledged by Qinglong Company, a subsidiary of the Company. As at the end of the Reporting Period, the balance of such loans from Bank of China Central Sub-branch, Industrial and Commercial Bank of China Futian Sub-branch and Zheshang Bank Shenzhen Branch used by Qinglong Company were RMB450 million, RMB200 million and RMB220 million, respectively.

(4) Pledged by Mei Wah Company, a subsidiary of the Company. As at the end of the Reporting Period, the balance of such loans from HSBC used by Mei Wah Company was USD36 million.

(5) Pledged by Yichang Company, a subsidiary of the Company. As at the end of the Reporting Period, the balance of such loans from Bank of China Hunan Branch, Industrial and Commercial Bank of China Changsha Simenkou Sub-branch and Industrial and Commercial Bank of China Changde Deshan Sub-branch used by Yichang Company were RMB105 million, RMB1,000 million and RMB192 million, respectively.

Report of the Directors

Entrusted Wealth Management

Pursuant to the resolution at the thirteenth meeting of the seventh session of the Board of the Company, the Company have engaged in 42 transactions regarding principal-guaranteed short-term RMB corporate wealth management products with 5 cooperative banks in the first half of 2017 on the condition that both safety and liquidity of capital reserve can be assured. The expected yield is between 3.1% and 3.6%, one-day maximum financial balance was 900 million with realised actual gain of RMB8,037,000 (tax included). As at the end of the Reporting Period, the balance of such wealth management products was nil and there was no overdue principal and gain accrued outstanding.

Other Agreements and Matters

Save as disclosed in this report, no contracts in respect of the management and administration of the overall business or any material business of the Company were entered into or subsisted, and no other material contracts in relation to entrustment, subcontracting, leasing or guarantee were entered into by the Company during the Reporting Period. Furthermore, there was no such prior material contract subsisting during the Reporting Period.

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

Undertakings

<table>
<tr><th>Background</th><th>Type</th><th>Undertaking party</th><th>Details</th><th>Date and deadline for performance</th><th>Deadline for performance or not</th><th>Performed timely and strictly or not</th></tr>
<tr><td rowspan="3">Undertakings made in Acquisition Report or Report on the Change of Equity Interests</td><td>Other</td><td>Shenzhen International/ Shenzhen International (Shenzhen)</td><td>Undertake to avoid peer competition and regulate connected transactions, etc. For details, please refer to Detailed Report on the Change of Equity Interests (詳細權益變動報告書) published on 18 October 2007 to the securities market of the PRC by undertaking parties or related contents in the Annual Report 2007 of the Company.</td><td>Oct. 2007</td><td>No</td><td>Yes</td></tr>
<tr><td>Other</td><td>Shenzhen International</td><td rowspan="2">Made undertaking in respect of the matters such as avoiding peer competition and supporting the business development of the Company. The undertakings include that Shenzhen International and SIHCL shall inject their expressway assets into the Company I around 5-8 years when certain conditions are fulfilled. For details, please refer to Acquisition Report (收購報告書) published by SIHCL on 4 January 2011 to the securities market of the PRC and the announcement of the Company dated 1 June 2011.</td><td>Dec. 2010
Jun. 2011</td><td>Yes</td><td>Yes</td></tr>
<tr><td>Other</td><td>SIHCL</td><td>Dec. 2010
May 2011</td><td>Yes</td><td>Yes</td></tr>
<tr><td>Undertakings made related to IPO</td><td>Avoiding peer competition</td><td>XTC Company/ SGH Company</td><td>The undertaking parties will not engage in any industry or business in any form, which, directly or indirectly, competes with the Company in Shenzhen.</td><td>Jan. 1997</td><td>No</td><td>Yes</td></tr>
</table>

Note: On 29 December 2017, Shenzhen Investment International Capital Holdings Infrastructure Co., Ltd (深圳投控國際資本控股基建有限公司), a subsidiary of SIHCL (as purchaser), SIHCL (as guarantor of the purchaser) and Anber Investments Limited (as vendor) and Hopewell Holdings Limited (as vendor's guarantor) entered into an agreement in relation to the proposed acquisition of approximately 66.69% interest in Hopewell Highway Infrastructure Limited ("HHI"). HHI is a Hong Kong listed company, it and its subsidiaries are principally engaged in highway infrastructure businesses in Guangdong Province and is the operator of Guangzhou-Shenzhen Expressway and Guangdong Guangzhou-Zhuhai West Expressway.

Prior to the entering of the said agreement, SIHCL had informed the Company of the proposed acquisition without disclosing the name of the target company. In the letter, SIHCL enquired the Company if it desires to be the acquiring entity in the proposed acquisition. Having considered the business of the target company and the marginal conditions of the acquisition such as the scale and completion timeframe as provided by SIHCL, the Company concluded that it was impracticable to carry out the acquisition and the Company intended to give up the offer since it was unable to take the acquisition. The Board was reported with the aforesaid matters, and the Directors (including the independent non-executive Directors) were consent that the Company should not take the acquisition. In the event that SIHCL complete the said acquisition, SIHCL will perform its obligations under the non-competition undertaking, negotiate with the Company on the actual arrangement on the business of the target company and settle the matters in accordance with the non-competition undertaking.

In light of the above, the Company is of the view that the proposed acquisition of HHI by SIHCL did not constitute a breach of the undertaking.

Appointment of Auditor for the Year

Details of the appointment and remuneration of the auditor for the year (including financial reports audit and internal control audit) are set out in "Corporate Governance Report" in this annual report.

Results Review

The Audit Committee of the Company has reviewed and confirmed the financial statements and the annual report for the twelve months ended 31 December 2017. For details, please refer to "Corporate Governance Report" in this annual report.

Compliance with Laws and Regulations

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

Name of Directors

As at the date of this report, the members of the Board include Mr. Hu Wei (Executive Director and Chairman of the Board), Mr. Wu Ya De (Executive Director and President), Mr. Liao Xiang Wen (Executive Director), Ms. Gong Tao Tao (Executive Director), Mr. Liu Ji (Non-executive Director), Ms. Chen Yan (Non-executive Director), Mr. Fan Zhi Yong (Non-executive Director), Mr. Chen Yuan Jun (Non-executive Director), Mr. Cai Shu Guang (Independent Director), Mr. Wan Siu Wah Wilson (Independent Director), Ms. Chen Xiao Lu (Independent Director) and Mr. Bai Hua (Independent Director).

By Order of the Board
HU Wei
Chairman

Shenzhen, the PRC, 23 March 2018

Share Capital and Shareholders

I. Profile of Movements of Share Capital

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

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

II. Issuing and Listing of the Securities

1. During the Reporting Period, there is no issuing or listing of the stock or derivative securities by the Company.

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

   As at the end of the Reporting Period, the circulating market capitalisation of the A Shares of the Company (circulating A Share capital × closing price of A Shares (RMB8.98)) was RMB12.871 billion and the circulating market capitalisation of H Shares (circulating H Share capital × closing price of H Shares (HK$7.93)) was HK$5.928 billion.

2. The Company issued overseas debenture of US$300 million at fixed interest rate with a maturity of 5 years in July 2016, the bond abbreviation is "SZEW B2107" and to bond code is "5684", and it has been listed on HKEx since 19 July 2016.

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

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

1. Total Number of Shareholders:

Total number of shareholders as at the end of the Reporting Period	19,179
Total number of shareholders as at the end of the last month prior to the Reporting Date	19,578

Note:

(1) The Company had 18,941 holders of A Shares and 238 holders of H Shares as at the end of the Reporting Period.

(2) The Company had 19,343 holders of A Shares and 235 holders of H Shares as at the end of the last month prior to the Reporting Date.

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

The top ten shareholders							
Name of shareholder	Changes during the Reporting Period	Number of shares held	Percentage	Number of restricted circulating shares held	Number of shares pledged or frozen		Nature of shareholders
					State of shares	Number	
HKSCC NOMINEES LIMITED[1]	+2,104,000	724,811,099	33.24%	–	Unknown		Overseas legal person
Xin Tong Chan Development (Shenzhen) Company Limited	–	654,780,000	30.03%	–	None	0	Domestic non-state-owned legal person
Shenzhen Shen Guang Hui Highway Development Company	–	411,459,887	18.87%	–	None	0	Domestic non-state-owned legal person
China Merchants Expressway Network & Technology Holdings Company Limited	–	87,211,323	4.00%	–	None	0	State-owned legal person
Guangdong Roads and Bridges Construction Development Company Limited	–	61,948,790	2.84%	–	None	0	State-owned legal person
AU SIU KWOK	–	11,000,000	0.50%	–	Unknown		Overseas natural person
LIU SHEN PEI	+841,350	6,340,900	0.29%	–	Unknown		Domestic natural person
ZHANG PING YING	-1,259,745	6,023,400	0.28%	–	Unknown		Domestic natural person
CHEN DAN ZHEN	–	5,945,400	0.27%	–	Unknown		Domestic natural person
ZHU CAI FENG	+5,369,783	5,862,483	0.27%	–	Unknown		Domestic natural person

The top ten holders of non-restricted circulating shares		
Name of shareholder	Number of non-restricted circulating shares held	Type of shares
HKSCC NOMINEES LIMITED[1]	724,811,099	H share
Xin Tong Chan Development (Shenzhen) Company Limited	654,780,000	A share
Shenzhen Shen Guang Hui Highway Development Company	411,459,887	A share
China Merchants Expressway Network & Technology Holdings Company Limited	87,211,323	A share
Guangdong Roads and Bridges Construction Development Company Limited	61,948,790	A share
AU SIU KWOK	11,000,000	H share
LIU SHEN PEI	6,340,900	A share
ZHANG PING YING	6,023,400	A share
CHEN DAN ZHEN	5,945,400	A share
ZHU CAI FENG	5,862,483	A share
Connected relationship or concerted action relationship among the abovementioned shareholders	XTC Company and SGH Company are connected persons under the same control of Shenzhen International. There is no connected relationship among the state-owned shareholders in the above table. The Company did not notice any connected relationship among the other abovementioned shareholders or any connected relationship among the abovementioned state-owned shareholders and other shareholders.	

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

Share Capital and Shareholders

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

As at 31 December 2017, the interests or short positions of shareholders, other than a Director, Supervisor or senior management of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), or in accordance with the notice received by the Company and the HKEx, were as follows:

A Shares:

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

H Shares:

Name of shareholder	Capacity	Number of H Shares of the Company held	Percentage of total issued H Share capital
FMR LLC	Beneficial owner/Investment manager/ Custodian[(5)]	52,478,636 (L)	7.02 (L)
JPMorgan Chase & Co.	Beneficial owner/Investment manager/ Custodian[(6)]	52,148,964 (L) 512,000 (S) 23,536,276 (P)	6.97%(L) 0.06%(S) 3.14%(P)
Advance Great Limited	Beneficial owner	44,888,000 (L)	6.00%(L)
Shenzhen International[(2)]	Interest of corporation controlled[(3)]	44,888,000 (L)	6.00%(L)
SIHCL	Interest of corporation controlled[(4)]	44,888,000 (L)	6.00%(L)

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

Notes:

(1) All the A Shares of the Company are listed on SSE, and all the H Shares of the Company are listed on the main board of HKEx.

(2) Shenzhen International is a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of HKEx.

(3) Long positions of 654,780,000 A Shares were directly held by XTC Company as beneficial owner, 411,459,887 A Shares were directly held by SGH Company as beneficial owner, and long position of 44,888,000 H Shares were directly held by Advance Great Limited as beneficial owner. All of these companies are wholly-owned subsidiaries of Shenzhen International. Pursuant to a written letter provided by Shenzhen International, Advance Great Limited actually held 51,114,000 H shares of the Company as at 31 December 2017, while 51,114,000 H Shares were indirectly held by Shenzhen International and SIHCL.

(4) SIHCL indirectly held 44.24% interests in Shenzhen International. Pursuant to the Securities and Futures Ordinance, SIHCL was deemed to be interested in shares of the Company owned by Shenzhen International.

(5) The relevant interests of FMR LLC were held via FMR LLC and its subsidiaries.

(6) The relevant interests of JPMorgan Chase & Co.were held via JPMorgan Chase & Co.and its subsidiaries.

Save as disclosed above, the register required to be kept under Section 336 of Part 15 of Securities and Futures Ordinance showed that the Company had not been notified of any interests or short positions in the shares or underlying shares of the Company as at 31 December 2017.

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

1. Information of the Controlling Shareholder

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

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

As at the end of the Reporting Period, Shenzhen International indirectly held a total of 51.237%of the Company's shares by its wholly-owned subsidiaries XTC Company, SGH Company and Advance Great Limited. For details, please refer to the following "chart of ownership and relation of control between the Company and the de-facto controller".

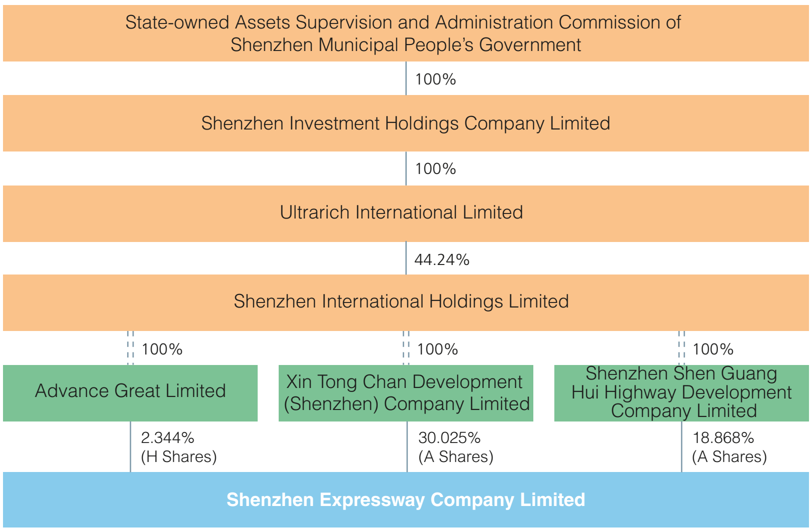
Name	Shenzhen International Holdings Limited
Person in charge or legal representative	Gao Lei (Chairman of the Board)
Date of establishment	22 November 1989
Registered capital	HK$1,957,689,314 (issued share capital)
Major operating management activities	Shenzhen International is principally engaged in investment holding. Shenzhen International and its subsidiaries are principally engaged in the investment, construction and operation of logistic infrastructure facilities, as well as providing various value-added logistic services to customers leveraging its infrastructure facilities and information services platform.
Other domestic and overseas listed company controlled or participated during the Reporting Period	It held approximately 1.3% A shares of CSG Holding Co., Ltd., a domestic listed company, as at the end of 2017.
Other information	Shenzhen International is listed on the main board of HKEx (Stock Code: 00152). For details and the latest information of Shenzhen International, please refer to the information disclosed on the websites of HKEx and Shenzhen International.

Share Capital and Shareholders

2. Information of the De-facto Controller

As at 31 December 2017, SIHCL held 44.24% shares of Shenzhen International through its wholly-owned subsidiary Ultrarich International Limited. Shenzhen SASAC holds 100% interests in SIHCL, and performs supervision and management on SIHCL.

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



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

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

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

Directors, Supervisors, Senior Management and Employees

I. General Information, Change in Shareholding and Remuneration

1. General Information of Directors, Supervisors and Senior Management in Office as at the End of the Period and whom had Left Office During the Period

Name	Title (as at the end of the Period or before leaving office)	Sex	Age	Commencement of the term of office of this session[7]	End of the term of office of this session or the leaving date
Hu Wei	Chairman of the Board	Male	55	Jan 2015	Dec 2017
Wu Ya De	Executive Director	Male	53	Jan 1997	Dec 2017
Wu Ya De (concurrent position)	President	Male	53	Jan 2002	Aug 2018
Wang Zeng Jin	Executive Director	Male	47	Apr 2015	Dec 2017
Liao Xiang Wen	Executive Director	Male	49	Nov 2016	Dec 2017
Liao Xiang Wen (concurrent position)	Vice President	Male	49	Sep 2009	Aug 2018
Zhao Jun Rong	Non-executive Director	Male	53	Jan 2009	Dec 2017
Tse Yat Hong	Non-executive Director	Male	48	Jan 2009	Dec 2017
Liu Ji	Non-executive Director	Male	42	Nov 2016	Dec 2017
Chen Yuan Jun	Non-executive Director	Male	56	Nov 2016	Dec 2017
Au Sing Kun	Independent Director	Male	65	Jan 2012	Dec 2017
Lin Chu Chang	Independent Director	Male	48	Jan 2012	Dec 2017
Hu Chun Yuan	Independent Director	Male	48	Jan 2015	Dec 2017
Cai Shu Guang	Independent Director	Male	62	May 2017	Dec 2017[1]
Zhong Shan Qun	Chairman of the Supervisory Committee	Male	53	Aug 2009	Dec 2017
Liang Xin	Supervisor	Male	50	Nov 2016	Dec 2017
Xin Jian	Supervisor	Male	49	Jan 2016	Dec 2017
Sun Ce	Vice President	Male	52	Sep 2015	Aug 2018
Huang Bi Nan	Vice President	Female	46	Sep 2015	Aug 2018
Wen Po Wei	Vice President	Male	44	Sep 2015	Aug 2018
Gong Tao Tao	Financial Controller	Female	44	Nov 2002	Aug 2018
Luo Kun	Secretary of the Board	Male	45	Jan 2016	Jan 2019
Chen Tao	Non-executive Director (Leave)	Male	54	Jun 2016	May 2017[1]

Note:

(1) At the General Meeting hold on 23 May 2017, Mr. Cai Shu Guang, was appointed as Independent Directors of the seventh session of the Board, with the term of office from 23 May 2017 to 31 December 2017. The Company received a letter of resignation from Mr. Chen Tao on 20 January 2017. Due to personal health reasons, Mr. Chen resigned from the position of Independent Director of the Company. The resignation of Mr. Chen has taken effect since 23 May 2017 when Mr. Cai Shu Guang has been elected as a new Independent Director.

(2) The commencement of the term of office refers to the commencement of the position listed on the chart, for details of other positions, please refer to point 3 below.

Directors, Supervisors, Senior Management and Employees

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

Unit: RMB ten thousand (before tax)

		Remuneration receivable from the Company during the Reporting Period				
Name	Whether hold or trade shares of the Company	Salary	Statutory benefits	Fee and/ or meeting subsidies	Total	Whether receive remuneration from related parties during the Period
Hu Wei	No	148.40	21.17	N/A	169.57	No
Wu Ya De	No	143.50	20.67	N/A	164.17	No
Wang Zeng Jin	No	131.50	21.18	N/A	152.68	No
Liao Xiang Wen	No	131.00	22.14	N/A	153.14	No
Zhao Jun Rong	No	N/A	N/A	N/A	0.00	Yes
Tse Yat Hong	No	N/A	N/A	N/A	0.00	Yes
Liu Ji	No	N/A	N/A	N/A	0.00	Yes
Chen Yuan Jun	No	N/A	N/A	N/A	0.00	Yes
Au Sing Kun	No	N/A	N/A	19.50	19.50	No
Lin Chu Chang(4)	No	N/A	N/A	19.05	19.05	Yes
Hu Chun Yuan(4)	No	N/A	N/A	19.15	19.15	Yes
Cai Shu Guang(2)(4)	No	N/A	N/A	11.59	11.59	Yes
Zhong Shan Qun	No	N/A	N/A	N/A	0.0	Yes
Liang Xin(4)	No	N/A	N/A	0.70	0.70	Yes
Xin Jian	No	37.80	12.00	0.85	50.65	No
Sun Ce	No	125.00	17.79	N/A	142.79	No
Huang Bi Nan	No	122.60	19.89	N/A	142.49	No
Wen Po Wei	No	126.20	21.62	N/A	147.82	No
Gong Tao Tao	No	132.10	22.19	N/A	154.29	No
Luo Kun	No	126.20	21.28	N/A	147.48	No
Chen Tao (Leave)(3)(4)	No	N/A	N/A	7.11	7.11	Yes
Total:	/	/	/	/	1,502.18	/

Notes:

(1) Statutory benefits including the contributions to social retirement insurance, other kinds of social insurance, the supplemental retirement scheme, the housing allowances and vehicle subsidies.

(2) Mr. Cai Shu Guang was appointed as an Independent Director of the Company since 23 May 2017, such amount represented the meeting subsidies received during the term of his office as a Director.

(3) Mr. Chen Tao resigned from the position as an Independent Director of the Company which took effect from 23 May 2017, such amount represented the director's fee and meeting subsidies received during the term of his office as a Director.

(4) Independent Directors Mr. Lin Chu Chang, Mr. Hu Chun Yuan, Mr. Chen Tao and Supervisor Mr. Liang Xin get paid in related parties, and such related parties, has no relationship with the substantial shareholder of the Company.

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

3. Biography of the Directors, Supervisors and Senior Management

The member of seventh session of the Board and the Supervisory Committee of the Company term expired at 31 December 2017. Director Mr. Wang Zeng Jin, Mr. Zhao Jun Rong, Mr. Tse Yat Hong and Independent Director Mr. Au Sing Kun, Mr. Lin Chu Chang have been no longer as the Directors of the Company after the expiry of the term. Supervisor Mr. Zhong Shan Qun and Mr. Liang Xin have been no longer as the Supervisors of the Company after the expiry of the term.

At the First Extraordinary General Meeting 2017 of the Company hold on 28 December 2017, Mr. Hu Wei, Mr. Wu Ya De, Mr. Liao Xiang Wen, Ms. Gong Tao Tao, Mr. Liu Ji, Ms. Chen Yan, Mr. Fan Zhi Yong and Mr. Chen Yuan Jun were appointed as Directors of the eighth session of the Board, Mr. Hu Chun Yuan, Mr. Cai Shu Guang, Mr. Wan Siu Wah Wilson and Ms. Chen Xiao Lu were appointed as Independent Directors of the eighth session of the Board, and Mr. Wang Zeng Jin and Ms. Ye Jun were appointed as shareholders' representative Supervisors of the eighth session of the Supervisory Committee. Besides, Mr. Xin Jian was elected as staff representative Supervisor of the eighth session of the Supervisory Committee in the staff representatives' meeting. The term of office of the member of the eighth session of the Board and the Supervisory Committee commenced on 1 January 2018 and shall end on 31 December 2020. Mr. Hu Wei and Mr. Wang Zeng Jin have been elected as the Chairman of the Board at the Directors' meeting and the Chairman of the Supervisory Committee at the Supervisors' meeting held on 2 January 2018 respectively.

The Company received a letter of resignation from Independent Director Mr. Hu Chun Yuan on 5 January 2018. Due to personal career reasons, Mr. Hu resigned from the position of Independent Director of the Company. Mr. Bai Hua was appointed as Independent Director of the eighth session of the Board at the General Meeting of the Company hold on 8 February 2018, the term of office commenced on 8 February 2018 and shall end on 31 December 2020. The resignation of Mr. Hu took effect after Mr. Bai Hua has been elected as a new Independent Director on 8 February 2018.

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

The Member of Eighth Session of the Board:

Name	Position in the Company	Resume
HU Wei 	*Executive Director/Chairman,* Chairman of Strategic Committee, Member of Nomination Committee. Director since Jan. 2012, Chairman since Jan. 2015.	Born in 1962. Mr. Hu has extensive experiences in corporate operation, corporate management including investment, financing, capital operations, auditing and risk management, and experience in overseas enterprises. Mr. Hu had worked in China Everbright Bank from October 2001 to August 2011, and has served successively as a Vice President and an Executive Director of Shenzhen International since August 2011 until now. Mr. Hu joined the Company in January 2015, He has been the Chairman and Secretary of the Party Committee of the Company, concurrently, Mr. Hu holds directorship in some subsidiaries of the Company.

Directors, Supervisors, Senior Management and Employees

Name	Position in the Company	Resume
WU Ya De 	*Executive Director, President,* Member of Strategic Committee. Director since Jan. 1997, Acting President/President since Jan. 2002.	Born in 1964. Mr. Wu has extensive experiences in toll highway management and investment as well as corporate management. Mr. Wu had been a Director, the General Manager and the Chairman of SGH Company. He has been the Acting President/President (formerly known as General Manager) of the Company since January 2002. Mr. Wu holds Directorship in some subsidiaries of the Company.
LIAO Xiang Wen 	*Executive Director, Vice President,* Member of Strategic Committee. Director since Nov. 2016 Vice President since Sep. 2009	Born in 1968. Mr. Liao has extensive experience in toll highway management, human resources, and legal affairs management. Mr. Liao is mainly responsible for the overall management toll collections business and relative mechanical/electrical maintenance, the overall management of toll highway maintenance and administration, co-ordinated management of escrow operations, coordination and maintenance, and safety management, etc. Mr. Liao joined the Company in 2004. He has been a Vice President since September 2009. Mr. Liao holds directorship in some subsidiaries and investment enterprises of the Company.
GONG Tao Tao 	*Executive Director, Financial Controller.* Member of Risk Management Committee. Director since Jan. 2018 Financial Controller since Nov. 2002	Born in 1973. Ms. Gong has many years experiences in finance, accounting and risk management. Ms. Gong is mainly responsible for overall financial operation of the Company, including formulating financial strategies and plans, compiling budgets and accounts, preparation of periodic financial reports, managing non-equity financing and funds, and monitoring the implementation of financial and operational plans, etc. Ms. Gong joined the Company in 1999, and has been the Financial Controller since November 2002. Ms. Gong had act as the Secretary of the Board and Company Secretary from Dec.2015 to Jan.2016. Ms. Gong is concurrently serving as Directors of some subsidiaries of the Company.

Name	Position in the Company	Resume
LIU Ji 	*Non-executive Director,* Member of Risk Management Committee. Director since Nov. 2016.	Born in 1975. Mr. Liu has many years' experience in the capital market, investment and acquisition, property right management. Mr. Liu joined Shenzhen International in August 2006, and served successively as Secretary of the Executive Committee of the Board, Deputy General Manager/General Manager of IT Engineer Department, General Manager of Administration Department and General Manager of Business Management Department. He has been the General manager of investment and acquisition department of Shenzhen International from August 2014. Mr. Liu is concurrently serving as Directors/Chairman of the Board of Supervisors of several investment enterprises of Shenzhen International, the Supervisor of Shenzhen Grain Group Co., Ltd. and the mediation expert of South China International Economic and Trade Arbitration Commission.
CHEN Yan 	*Non-executive Director,* Member of Strategic Committee. Director since Jan. 2018.	Born in 1972. Ms. Chen has extensive experiences in capital operation, investment and financing and corporate management. She had worked in Shenzhen Investment Fund Management Company and Shenzhen Shentou Technology Venture Investment Co., Ltd. Ms. Chen joined Shenzhen International in July 2002, had served as the General Manager of the strategic development department, etc. She has been the General Manager of corporate management department of Shenzhen International since February 2017.
FAN Zhi Yong 	*Non-executive Director,* Member of Risk Management Committee. Director since Jan. 2018.	Born in 1973. Mr. Fan has more than 20 years of extensive experiences in engineering management and corporate management. Mr. Fan had worked in Shenzhen Nanyou (Holdings) Co., Ltd. He joined Shenzhen International in May 2003, and served successively in Shenzhen International West Logistics Co., Ltd., Shenzhen International Qianhai Industrial (Shenzhen) Co., Ltd. Mr. Fan has been the Director and General Manager of Shenzhen International Qianhai Industrial (Shenzhen) Co., Ltd. since February 2016. He now is also the Chairman of some unlisted subsidiaries of Shenzhen International.

Directors, Supervisors, Senior Management and Employees

Name	Position in the Company	Resume
CHEN Yuan Jun 	*Non-executive Director,* Member of Audit Committee, Member of Remuneration Committee. Director since Nov. 2016.	Born in 1961. Mr. Chen has extensive experiences in investment and management and administrative management in expressway. Mr. Chen joined CMET in 2004, and served as Deputy General Manager and Chief Operating Officer of China Merchants Holdings (Pacific) Limited (a Singapore listed company), he has been a Deputy General Manager and member of the Party Committee of CMET since February 2013. Mr. Chen has been a Director of Huabei Expressway Company Limited (a PRC listed company) and a Deputy General Manager, General Manager, Director and/or Deputy Chairman of a number of other investee companies of CMET. He is also a Director of "Year Book of China Transportation and Communications" and a Director of the Operation and Management Association of Chinese Expressway.
CAI Shu Guang 	*Independent Director,* Member of Strategic Committee, Chairman of Remuneration Committee, Chairman of Nomination Committee. Independent Director since May 2017.	Born in 1955. Mr. Cai has extensive experience and knowledge in project planning and corporate management. Mr. Cai had worked in Yangzi Petrochemical Company, Shanghai Synthetic Detergent Factory and Guangdong Holding Group. He joined China Everbright International Limited (a Hong Kong listed company) in February 2004 and is currently an Executive Director and Deputy General Manager. Mr. Cai is also an Executive Director of China Everbright Water Limited (a Singapore listed company) and a Deputy Chairman of Everbright Environmental Protection (China) Co., Ltd. etc.

Name	Position in the Company	Resume
WAN Siu Wah Wilson 	*Independent Director,* Member of Audit Committee, Member of Remuneration Committee, Member of Nomination Committee. Chairman of Risk Management Committee Independent Director since Jan. 2018.	Born in 1961. He has over 30 years of experiences in commercial banking and investment banking. Mr. Wan had worked in Bank of Credit and Commerce International, Australia & New Zealand Banking Group Limited, Industrial and Commercial Bank of China (Asia) Limited. From May 2007 to July 2015, he successively served as Managing Director of BOC International Holdings Limited, the Chief Executive Officer of China Merchants Securities (HK) Co., Limited. Mr. Wan has been the Chief Executive Officer of Cleverage Capital Limited since September 2015 and is also a Visiting Professor and Consultant of The Chinese University of Hong Kong.
CHEN Xiao Lu 	*Independent Director,* Member of Audit Committee, Member of Nomination Committee. Independent Director since Jan. 2018	Born in 1975. Ms. Chen has 20 years of experiences in consulting and investment banking. Ms. Chen had joined BOC International Holdings Limited since May 1999 and successively served as Vice Chairman and Joint Supervisor of investment banking department of BOCI Asia Limited, etc. She has been an Executive Director of investment banking department of BOC Asia Limited since February 2015, and is currently also a Director of Bohai Industrial Investment Fund.
BAI Hua 	*Independent Director,* Chairman of Audit Committee, Member of Remuneration Committee. Independent Director since Feb. 2018	Born in 1969. Mr. Bai has extensive research and practical experiences in auditing and internal control. Mr. Bai has worked in Accounting Department of Jinan University since October 2003 and now serves as professor and doctoral tutor of Accounting Department of Jinan University. Mr. Bai is also an Executive of Guangdong Audit Association, an Independent Director of Guangzhou Echom Science & Technology Co., Ltd (a PRC listed company) and Yipinhong Pharmaceutical Limited by Share Ltd (a PRC listed company).

Directors, Supervisors, Senior Management and Employees

The Member of Eighth Session of Supervisory Committee:

Name	Position in the Company	Resume
WANG Zeng Jin 	*(Shareholders' representative) Supervisor,* Chairman of Supervisory Committee. Director from Jan. 2015 to Dec. 2017 Supervisor since Jan. 2018.	Born in 1970. Mr. Wang has more than 20 years experiences in human resource management and corporate management. Mr. Wang joined Shenzhen International in October 2004 as Secretary to the Chairman and had been the General Manager of human resource department of Shenzhen International form June 2005 to August 2015. Mr. Wang joined the Company in January 2015 as a Director (from January 2015 to December 2017), Deputy Secretary of the Party Committee, and Secretary of the Commission for Inspecting Discipline of the Company. Mr. Wang holds directorship in a subsidiary of the Company.
YE Jun 	*(Shareholders' representative) Supervisor.* Supervisor since Jan. 2018.	Born in 1974. Ms. Ye has extensive experiences in financial management and auditing. Ms. Ye joined GDRB in March 2001 and has been a Deputy Manager of financial management department of that company since March 2010.
XIN Jian 	*(Staff representative) Supervisor.* Supervisor since Jan. 2016.	Born in 1968. Mr. Xin has experiences in financial and capital for many years. Mr. Xin joined the Company in 1996, and had been capital manager of finance department, etc. Currently, Mr. Xin is the senior headquarter financial manager of finance department of the Company.

Non-director Senior Management and Joint Company Secretaries:

Name	Position in the Company	Resume
SUN Ce 	*Vice President.* Details are set out in the resume in the right column.	Born in 1965. Mr. Sun has extensive experience in engineering construction and project management. Mr. Sun is mainly responsible for overall management of technical works, construction business as well as safety work. Mr. Sun joined the Company in 1997, and has been the General Manager of engineering department of the Company since July 2011, and has been a Vice President since September 2015, concurrently he serving as Director of some subsidiaries of the Company.
HUANG Bi Nan 	*Vice President,* Details are set out in the resume in the right column.	Born in 1971. Ms. Huang has many years experience in administrative management and development of corporate culture. Ms. Huang is mainly responsible for overall management, of information management, administrative affairs, public relations, the management of the enterprises invested by the Company and the supervision of the delegation of representatives of the resident stations, and maintaining quality system of the Company security management in headquarters, etc. Ms. Huang joined the Company in 1997 and has been the Office Administrator of the Company since June 2008 and a Vice President since September 2015, concurrently Ms. Huang serving as Director/Chairman of some subsidiaries of the Company.
WEN Po Wei 	*Vice President.* Details are set out in the resume in the right column.	Born in 1973. Mr. Wen has many years experience in highway operation management and project investment management. Mr. Wen is mainly responsible for overall management of the strategy, equity financing, investment project and the total research about new industry. Mr. Wen has been the General Manager of the strategy and investment development department of Shenzhen International as well as the Deputy General Manager of a number of subsidiaries from April 2008 to August 2015. Mr. Wen joined the Company in 2015, He has been a Vice President since September 2015, concurrently Mr. Wen serving as Chairman of some subsidiaries of the Company and Director of some enterprises invested by the Company.

Directors, Supervisors, Senior Management and Employees

Name	Position in the Company	Resume
LUO Kun 	*Secretary of the Board* Joint Company Secretary Details are set out in the resume in the right column.	Born in 1972, Mr. Luo has many years experience in accounting, and investment financing management. Mr. Luo is mainly responsible for information disclosure, investor relations and corporate governance of the Company. Mr. Luo was joined the Company in 1998. Mr. Luo has been the Finance Controller of subsidiaries of the Company and the Vice General Manager of the strategy and investment development department of the Company, etc. Mr. Luo has been the General Manager of the strategy and investment development of the Company from September 2013 to November 2016. Mr. Luo has been the Secretary of the Board/the Joint Company Secretary since January 2016, concurrently serving as a Director of some subsidiaries of the Company.
LAM Yuen Ling Eva 	*Joint Company Secretary* Details are set out in the resume in the right column.	Born in 1966. Ms. Lam has over 20 years of experience in company secretarial services and commercial solutions. Ms. Lam is a fellow of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. Ms.Lam is currently a director of BMI Listed Corporate Services Limited and is responsible for supervising the company secretarial teams to provide full range of listed and private company secretarial services to clients, and she has been the Joint Company Secretary since January 2016.

Other Directors in office at the end of the Reporting Period:

Name	Position in the Company at the end of the Reporting Period
WANG Zeng Jin	From January 2015 to December 2017, Mr. Wang served as an executive Director and a member of Remuneration Committee of the Company. Since January 2018, he has been the Shareholders' representative Supervisor of the Company. Details are set out in the resume in the eighth session of Supervisory Committee.
ZHAO Jun Rong	From January 2009 to December 2017, Mr. Zhao served as a non-executive Director and a member of Strategic Committee of the Company. Born in 1964, Mr. Zhao has extensive experiences in corporate management and the legal profession. He joined Shenzhen International in October 2001, and since then had successively been the Legal Consultant, the Assistant to the President and concurrently Manager of strategic development department. He has been a Vice President of Shenzhen International since June 2007.
TSE Yat Hong	From January 2009 to December 2017, Mr. Tse served as a non-executive Director and a member of Risk Management Committee of the Company. Born in 1969. Mr. Tse has extensive experiences in accounting, finance and corporate governance matters of listed companies for many years. He has been the Chief Financial Officer of Shenzhen International since June 2000.

Directors, Supervisors, Senior Management and Employees

Name	Position in the Company at the end of the Reporting Period
AU Sing Kun	From January 2012 to December 2017, Mr. Au served as an Independent Director of the Company, the Chairman of Risk Management Committee, a member of Audit Committee and a member of Remuneration Committee. Born in 1952. Mr. Au has many years in depth experiences in international banking and risk management. He had worked in HSBC from 1978 to 2009, and had successively been the Operation Director of HSBC (China), the President of HSBC Shenzhen Branch, the Chief Executive Officer of HSBC (Macau), etc. He had been a Director of Nice International Investments Limited since his retirement in 2009.
LIN Chu Chang	From January 2012 to December 2017, Mr. Lin served as an Independent Director of the Company, a member of Strategic Committee, a member of Nomination Committee. Born in 1969. Mr. Lin has experiences in financial investment and real estate development for many years. He had been the Chief Financial Officer of China Resources Land Limited from 2002 to 2006, the Chief Financial Officer and Executive Director of Longfor Properties Co. Ltd. from 2006 to 2010. Mr. Lin currently is the Chairman and Executive President of Jeffrey Investments Limited and Executive President of Momcare Group Holdings Co., Ltd.
HU Chun Yuan	From January 2015 to February 2018, Mr. Hu served as an Independent Director of the Company, the Chairman of Audit Committee and a member of Remuneration Committee. Born in 1969. Mr. Hu has extensive experience in restructuring and listing, assets reorganization and bonds reorganisation, the auditing of listed companies and securities companies, and the design of corporate governance structure and management structure. He had successively engaged in auditing and management consultancy in several domestic accounting firms. Since July 2011, he has been the Vice President and Executive Partner of BDO China Shu Lun Pan Certified Public Accountants LLP and a fellow certified public accountant.

Other Supervisors in office at the end of the Reporting Period:

Name	Position in the Company at the end of the Reporting Period
ZHONG Shan Qun	From January 1997 to April 2005, Mr. Zhong served as a Director of the Company, and the Chairman of the Supervisor Committee from January 2006 to September 2007, and a Supervisor/the Chairman of the Supervisor Committee from August 2009 to December 2017. Born in 1964. Mr. Zhong has extensive experiences in engineering construction management, logistics management and corporate management. He had been the General Manager, the Chairman of XTC Company, and has been a Vice President of Shenzhen International from June 2007 to January 2015. Mr. Zhong has been an Executive Director of Shenzhen International since January 2015.
LIANG Xin	From November 2016 to December 2017, Mr. Liang served as a Supervisor of the Company. Born in 1967. Mr. Liang has extensive experiences in financial management and corporate management. He held positions at several subsidiaries of Guangdong Provincial Communication Group Co., Ltd. since 1989, including the Chief Accountant of Guangdong Nan Yue Logistics Company Limited (廣東南粵物流股份有限公司) from June 2008 to March 2013, the Deputy General Manager and Chief Accountant of Guangdong Litong Technology Investment Company Limited (廣東利通資訊科技投資有限公司) from April 2013 to February 2015, the Chief Accountant of GDRB Company since March 2015 and a Director of GDRB Company since March 2016. Mr. Liang is concurrently serving as a Director/Chairman or General Manager of several subsidiaries of GDRB Company.

Directors, Supervisors, Senior Management and Employees

II. Major Position held by the Directors, Supervisors and Senior Management Hold

1. Positions in Shareholders' Entities

Name	Name of shareholder entity	Position	Term
Hu Wei	XTC Company	Director	Oct 2012 - Now
	Shenzhen International	Vice President	Aug 2011 - May 2017
		Extensive Director	May 2017 - Now
Zhao Jun Rong	XTC Company	Director	Jun 2009 - Now
	SGH Company	Director	Jun 2009 - Now
	Shenzhen International	Vice President	Jun 2007 - Now
Tse Yat Hong	Shenzhen International	Chief Financial Officer	Jun 2000 - Now
Liu Ji	Shenzhen International	General Manager of Investment and Acquisition Department	Aug 2014 - Now
Chen Yuan Jun	CMET	Deputy General Manager	Feb 2013 - Now
Zhong Shan Qun	XTC Company	Director	Sep 2005 - Now
	Shenzhen International	Executive Director	Jan 2015 - Now
Liang Xin	GDRB Company	Director	Mar 2016 - Now
		Chief Accountant	Mar 2015 - Now
The description of position in shareholder entities	In addition to abovementioned main positions in shareholders entities, Director Hu Wei, Zhao Jun Rong, Tse Yat Hong and Supervisor Zhong Shan Qun and Liang Xin are also concurrently serving as a Chairman/Director or Supervisor in some subsidiaries or investee companies of the relevant shareholders entities.		

2. Positions in Other Entities

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

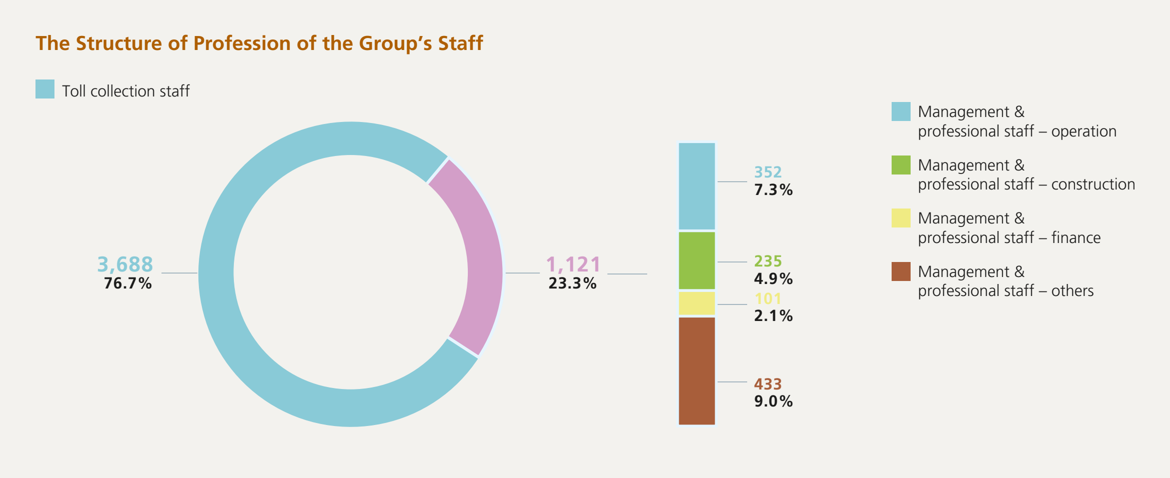
Name	Name of other entity	Position	Term
Tse Yat Hong	China Huirong Financial Holdings Limited	Independent Director	Oct 2013 - Now
	Sky Light Holdings Limited	Independent Director	Dec 2017 - Now
Chen Yuan Jun	Huabei Expressway Co., Ltd.	Director	May 2013 - Dec 2017
Au Sing Kun	Everbright Securities Co. Ltd	Independent Director	Aug 2016 - Now
Lin Chu Chang	China Zhongsheng Resources Holdings Limited	Independent Director	Apr 2012 - Now
Hu Chun Yuan	Gemdale Properties and Investment Corporation Limited	Independent Director	Nov 2012 - Now
	Shenzhen Terca Technology Co. Ltd	Independent Director	Jun 2017- Now

III. Basic Information of Employees and Human Resource Management

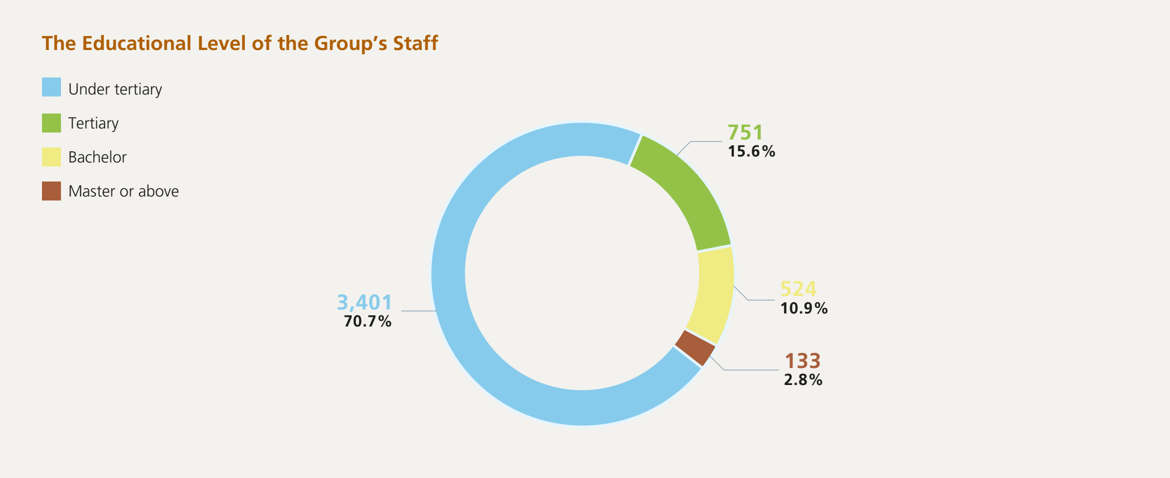
1. Basic Information of Employees:

Amount of employees in the parent company	211
Amount of employees in main subsidiaries	4,598
The total amount of employees	4,809
Amount of retired employee for whom the parent company and main subsidiaries shall bear retirement costs	0

At the end of the Reporting Period, among the employees of the Group (including the Company and its consolidated subsidiaries) 3,688 were toll collection staff, representing 77% of total number, while 1,121 were management and professional staff, including staff of operation, engineering, finance and other series, representing 23% of the total number. The structure of profession of the Group's staff is as follows:



Among the employees of the Group, 29% held tertiary or above qualifications, of which 83% of the management and professional staff held tertiary or above qualifications. The educational level of the Group's staff is as follows:



Directors, Supervisors, Senior Management and Employees

2. Remuneration Policies

Remuneration Policies of the Directors/Supervisors:

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

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

Remuneration and Benefits Policies:

The remuneration and benefit policies of the Company were implemented pursuant to the statutory requirements and the Management Procedures for Remuneration and Benefits (《薪酬福利管理程序》) of the Company. The remuneration and benefits of the staff include position salary, the performance bonus and the statutory and corporate welfares and are determined by the market value of the position and the comprehensive performance of staff on the principle of "salary based on the position and changed with the position", with strategy-oriented, market-oriented and performance-oriented objectives, taking into account of both internal and external fairness.

Pursuant to statutory requirements, the Group has participated in an employee retirement scheme organised by the local government authorities (social pension insurance) and the housing provident fund plan, and has adopted various protection plans such as medical insurance, work injury insurance, unemployment insurance, and maternity insurance for its employees. According to the relevant regulations, the Group is required to pay contributions equivalent to a certain percentage of the employee's aggregate salary (subject to the required maximum cap) to the labor and social security authorities management center as social insurance contributions for items such as pension and medical insurance expenses. Moreover, the Company has made regular enterprise annuity payments (supplemental pension insurance) for its management personnel and key technical staff members. As at 31 December 2017, the Group has a total of 51 retired staff. The registration procedures in relation to their retirement have been completed through Shenzhen or local social security authorities, Concurrently the company provides a free physical examination and important festivals sympathy to retirees every year. For details of the remuneration and benefits for employees during the Reporting Period, please refer to note V\23 to the Financial Statements in this annual report.

The Company's Executive Directors, senior management and the staff representative Supervisor received management salary based on their specific management positions in the Company. The remuneration of senior management includes fixed salaries and performance bonuses, of which performance bonuses are calculated based on how the annual performance targets are met by them, and are proposed or reviewed by the Remuneration Committee.

Performance Evaluation and Incentive System:

The Board determines the Company's annual operating performance targets at the each year and sets out clear and concrete rating criteria as the basis for year-end appraisals on the overall performance of the Executive Directors and the management of the Company. During 2017, the Company determined its key performance targets in four aspects, namely finance, customers, internal process and learning and maturity, and included nine key goals, namely the return on shareholders' equity, net profit, operating revenue, profit to cost ratio, customers' satisfaction, project construction and new business expansion, key work promotion, safety production and material risk control and employees' satisfaction.

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

3. Staff Training

The Company values staff training and has established the training system based on job competency. At the beginning of each year, according to the actual needs of the businesses and staff, the Company formulates the training plan to guide the training work of the year, with summary and review conducted at the end of the year. In 2017, the Company and its departments have organised 49 training sessions, which covered all business segments of the Company, including general management, operating management and professional skills. The training hours totalled 11,480 hours, with 2,000 person-times participation and covering staff of all levels from toll collection staff to senior management.

CORPORATE GOVERNANCE

Corporate Governance Summary

I. The Description of the Overall Corporate Governance

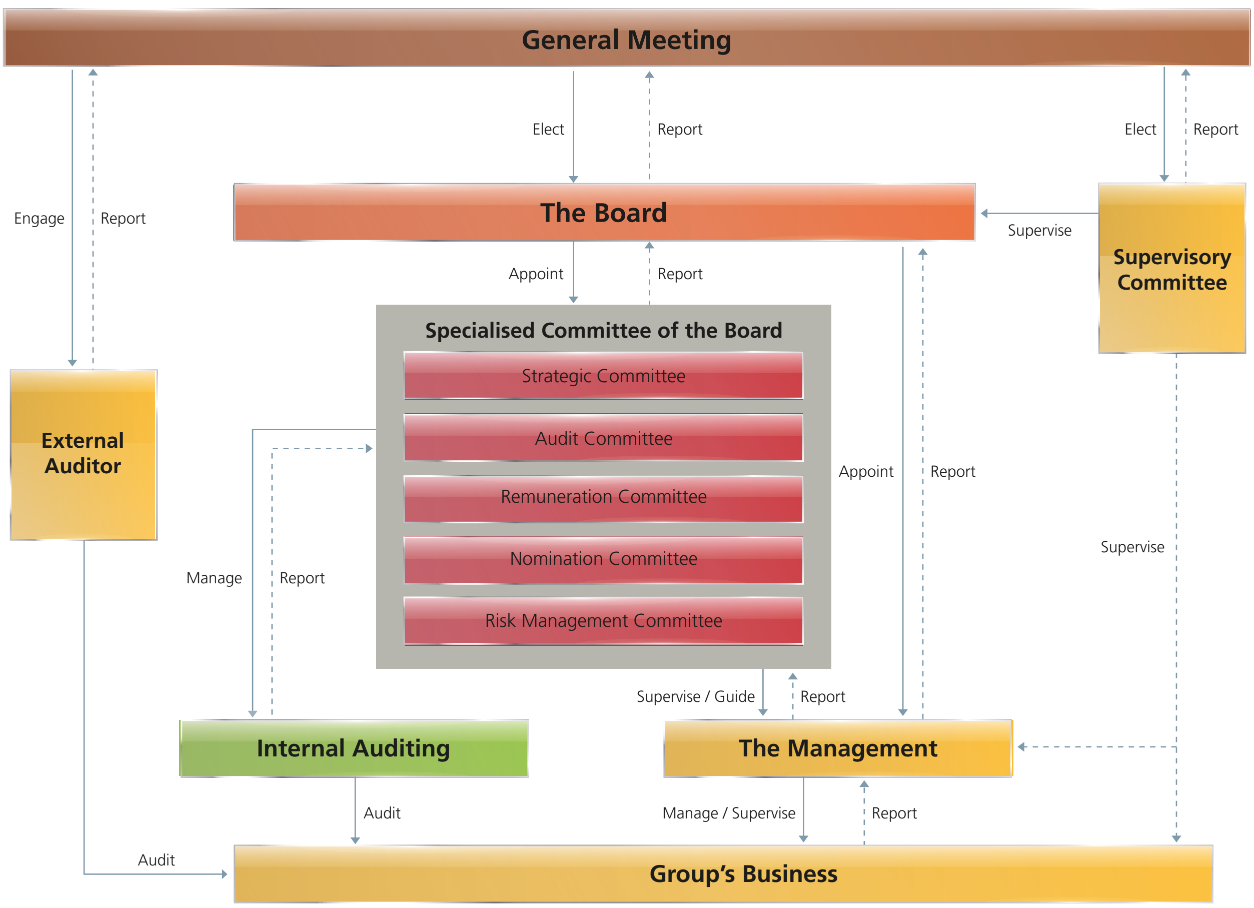
Sound corporate governance enables the Company to achieve healthy and stable development. The Company has always been committed to perfecting its governance structure, establishing and improving operational principles and improving the effectiveness of governance continuously.

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

II. Corporate Governance Structure and Rules

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

Governance Structure of Shenzhen Expressway



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

The implementation of the management system of insiders:

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

III. Information on General Meetings

During 2017, two general meetings, two A Share class meetings and two H Share class meetings were held by the Company at the conference room of the Company. Details of the general meetings are as follows:

No.	Name of the meeting	Convening date	Disclosing date
1	The 2016 Annual General Meeting The First Class Meeting 2017 for holders of A Share The First Class Meeting 2017 for holders of H Share	23 May 2017	23 May 2017
2	The First Extraordinary General Meeting 2017 The Second Class Meeting 2017 for holders of A Share The Second Class Meeting 2017 for holders of H Share	28 December 2017	28 December 2017

Note: The resolutions of the above general meetings are available on the website of SSE at http://www.sse.com.cn, the website of HKEx at http://www.hkexnews.hk and the website of the Company at http://www.sz-expressway.com.

Corporate Governance Summary

IV. The Performance of Duties of the Directors

(I) Attendance of Directors at the Board Meetings and the General Meetings in 2017

		Attendance at the Board Meetings					Attendance at the General Meetings
Directors in service as at the end of the Reporting Period	Position	The total number of meetings	Attendance in person	Attendance at the meetings by proxy	Absence	Attendance rate in person	(Attendance in person/ Total number of meetings)
Hu Wei	Executive director	9	8	1	0	89%	2/2
Wu Ya De	Executive director	9	9	0	0	100%	2/2
Wang Zeng Jin	Executive director	9	9	0	0	100%	1/2
Liao Xiang Wen	Executive director	9	9	0	0	100%	2/2
Zhao Jun Rong	Non-executive director	9	6	3	0	67%	0/2
Tse Yat Hong	Non-executive director	9	6	3	0	67%	1/2
Liu Ji	Non-executive director	9	8	1	0	89%	2/2
Chen Yuan Jun	Non-executive director	9	5	4	0	56%	1/2
Au Sing Kun	Independent Director	9	9	0	0	100%	2/2
Lin Chu Chang	Independent Director	9	8	1	0	89%	1/2
Hu Chun Yuan	Independent Director	9	7	2	0	78%	1/2
Cai Shu Guang [Note 1]	Independent Director	4	4	0	0	100%	1/1

		Attendance at the Board Meetings					Attendance at the General Meetings
Directors off position in the Reporting Period	Position	The total number of meetings	Attendance in person	Attendance at the meetings by proxy	Absence	Attendance rate in person	(Attendance in person/ Total number of meetings)
Chen Tao [Note 1]	Independent Director	5	0	5	0	0	0/1

Note

1: Independent Director Cai Shuguang has been an Independent Director since May 23, 2017. The former Independent Director Chen Tao resigned from that date and was no longer an Independent Director.

(II) Attendance of Directors at the Meetings of the Specialized Committees in 2017

		Attendance (Attendance in person/Total number of meetings)					
Directors in service as at the end of the Reporting Period	Title held in the specialized committees	Strategic Committee	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee	Independent Director Meetings
Hu Wei	Chairman of Strategic Committee Member of Nomination Committee	[Note 2] 0/1	N/A	N/A	3/3	N/A	N/A
Wu Ya De	Member of Strategic Committee	1/1	[Note 1] 4	N/A	[Note 1] 2	[Note 1] 2	N/A
Wang Zeng Jin	Member of Remuneration Committee	[Note 1] 1	N/A	3/3	[Note 1] 2	N/A	N/A
Liao Xiang Wen	Member of Strategic Committee	1/1	N/A	N/A	N/A	N/A	N/A
Zhao Jun Rong	Member of Strategic Committee	1/1	N/A	N/A	N/A	N/A	N/A
Tse Yat Hong	Member of Risk Management Committee	[Note 1] 1	N/A	N/A	N/A	[Note 2] 3/5	N/A
Liu Ji	Member of Risk Management Committee	[Note 1] 1	N/A	N/A	N/A	5/5	N/A
Chen Yuan Jun	Member of Audit Committee Member of Remuneration Committee	[Note 1] 1	[Note 2] 4/6	3/3	N/A	N/A	N/A
Au Sing Kun	Chairman of Risk Management Committee Member of Remuneration Committee Member of Audit Committee	[Note 1] 1	6/6	3/3	N/A	5/5	2/2
Lin Chu Chang	Member of Strategic Committee Member of Nomination Committee	1/1	N/A	N/A	3/3	N/A	[Note 2] 0/2
Hu Chun Yuan	Chairman of Audit Committee Member of Remuneration Committee	N/A	5/6	3/3	N/A	N/A	2/2
Cai Shu Guang	Chairman of Remuneration Committee Chairman of Nomination Committee	[Note 1] 1	N/A	2/2	1/1	N/A	1/1

		Attendance (Attendance in person/Total number of meetings)					
Directors off position in the Reporting Period	Title held in the specialized committees	Strategic Committee	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee	Independent Director Meetings
Chen Tao	Chairman of Remuneration Committee Chairman of Nomination Committee	N/A	N/A	[Note 2] 0/1	[Note 2] 0/2	N/A	[Note 2] 0/1

Note:

1. Observed at the meeting.

2. Except Independent Director Lin Chu Chang who failed to attend the meeting of Strategic Committee for business reasons and Director Tse Yat Hong who failed to attend the fourth meeting of Risk Management Committee for business reasons, other Directors who were unable to attend meetings of the Specialized Committees in person had appointed other Directors to attend the meetings on their behalf.

3. On 23 May 2017, former Independent Director Chen Tao ceased to be the chairman of Remuneration Committee and Nomination Committee, and Independent Director Cai Shu Guang began to serve as the chairman of Remuneration Committee and Nomination Committee.

Corporate Governance Summary

(III) The Performance of Duties of Independent Directors

During the Reporting Period, the Independent Directors gave no dissent to the resolutions/matters discussed by the Board or specialized committees of the Company. In 2017, no Independent Director of the Company proposed to convene any Board meeting or general meeting. During the year, four Independent Directors of the Company have provided independent advice on matters such as the Company's external guarantees, profit distribution plan, changes in accounting estimates, investment and financing plans, nomination and remuneration of Directors, connected transactions and annual review on continuing connected transactions according to the regulatory requirements and guidelines, and provided constructive opinion on the business development and strategic plans of the Company, with a view to protecting the overall interests of the Company and shareholders by duly performing its monitoring and balancing role. For the details of performance of duties of the Independent Directors during the year, please refer to the "2017 Duty Report of the Independent Directors (2017年度獨立董事述職報告)" (Chinese version) published by the Company on the websites of the exchanges on the Reporting Date.

V. The Performance of Duties of Specialized Committees of the Board during the Year

The Board of the Company established five specialized committees, namely Strategic Committee, Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee. Members of the specialized committees are appointed by the Board. Each session has a term of three years, consistent with the term of the Board. Each specialized committee has its terms of reference which explicitly explain and define their duties and powers and they have been approved by the Board. In 2017, the specialized committees of the Board convened 18 meetings in total. For the composition of each specialized committee and the attendance at the committee meetings during the year, please refer to "The Performance of Duties of the Directors" above.

(I) Strategic Committee

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

In 2017, the Strategic Committee held one meeting, during which the committee considered and adopted the "Interim Report on Evaluation and Analysis of Shenzhen Expressway's Development Strategies for 2015 to 2019 (深高速2015-2019年發展戰略中期評估分析報告)" submitted by the management of the Company. The management of the Company has analyzed the changes and challenges of the external environment, the implementation and progress of projects and factors resulting in material differences in the implementation of strategies during 2015 and 2016. Through the analysis, the management has identified problems and differences and provided relevant recommendations and solutions for implementation. The management will give its best efforts to ultimately achieve the Company's strategic goals through reasonable allocation of resources and implementation of measures.

(II) Audit Committee

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

In 2017, the Audit Committee held six meetings in total, and actively conducted the work and performed its duties according to the performance goals set in the beginning of the year, reviewed the periodic reports, internal control reports, specific audit reports and material connected transactions of the Group, and provided the Company with its professional opinions and suggestions on various aspects including the financial reports, relevant accounting policies and estimates, audit work, corporate governance, risk management and internal control.

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

- ◆ periodical review of the Group's financial statements, including the annual financial statements of 2016 and the unaudited financial statements for the first quarter, interim and the third quarter of 2017, and making recommendation to the Board for approval;
- ◆ assisting the Board in making independent evaluations on the effectiveness of the Group's internal control;
- ◆ supervision and guidance for the internal auditing work;
- ◆ supervision on control and routine management work of connected transactions;
- ◆ supervision and guidance for the Group's anti-fraudulent work;
- ◆ coordination and evaluation of the work of auditor and recommendations for appointments.

The related work of and opinions on the Group's financial reporting, the review on financial statements, the internal control and auditors are set out in "Corporate Governance Report" and "Internal Control" in this annual report. For the details of the performance of duties of the Audit Committee during the year, please refer to the "2017 Duty Report of the Audit Committee (審核委員會2017年度履職情況報告)" (Chinese version) published by the Company on the websites of the exchanges on the Reporting Date.

Corporate Governance Summary

(III) Remuneration Committee

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

In 2017, the Remuneration Committee held three meetings, and its major tasks during the year included:

- evaluating the operating performance of the management and the Executive Directors for 2016, reviewing the relevant incentive proposal of the management and the Executive Directors, and submitting the appraisal results and review opinions to the Board;
- reviewing the remuneration disclosure proposal for 2016 for the Directors and senior management;
- reviewing the formulation of the operating performance target of the Company for 2017 and submitting review opinions.
- Submitting to the Board the review and evaluation report on the implementation of Directors' remuneration plan of the seventh session of the Board and the proposal of Directors' remuneration of the eighth session of the Board.
- Studying the interim incentive and restrictive plan for the Company's employees.

The Remuneration Committee held one meeting in early 2018 (up to the Reporting Date), assessed and evaluated the operating performance of the management and Executive Directors for 2017, and reviewed the annual remuneration disclosure proposal for the Directors and senior management, and concluded that the relevant disclosure met the regulatory requirements of securities. Details of the remuneration policies and incentive mechanism of the Company and the relevant recommendations of the committee are set out in the section headed "Directors, Supervisors, Senior Management and Employees" in this annual report.

(IV) Nomination Committee

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

In 2017, the Nomination Committee held three meetings, and its major tasks during the year included:

- reviewing the structure, number of members and composition of the Board;
- completing the qualification review for candidates of one Independent Director, and submitting recommendations for appointment to the Board.
- completing the qualification review for candidates of Directors of the eighth session of the Board, and submitting recommendations for appointment to the Board.

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

(V) Risk Management Committee

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

In 2017, the Risk Management Committee held five meetings in total, and actively conducted its work and performed its duties according to the performance goals set in the beginning of the year, reviewed the Group's risk management review and plan, and provided the Company with its professional advice and recommendations on various aspects including risk warning indicators and risk assessment for investment projects. Its major tasks during the year included:

◆ reviewing the annual risk review report and risk management plans of the Group, understanding the changes of the risk of the Company and the implementation of risk responsive measures, and discussing the major risks faced by the Company in the future and responsive measures with the management;

◆ reviewing the updates of the financial warning indicator system and monitoring the material changes thereof;

◆ Reviewing four material investment projects of the Company and providing opinions and recommendations to the Board from the aspect of risk control.

VI. The Work of the Supervisory Committee

In 2017, the Supervisory Committee held seven meetings in total, and the supervisors also attended all of the general meetings and Board meetings. They considered or reviewed the matters including the regular reports, financial accounts and budget reports, proposed profit distribution, changes in accounting estimates, connected transactions, nomination and remuneration of supervisors of the Company, and supervised the legality and compliance of the decision-making procedures in the general meetings and Board meetings, the implementation of the resolutions in the general meetings, the implementation of the Company's profit distribution policy, the disclosures of regular reports and other information, the performance of duties by the Directors and senior management and the implementation of relevant securities regulatory requirements. During the Reporting Period, there was no incident about which the supervisors disputed with the Directors or sued the Directors on behalf of the Company. The Supervisory Committee has no objection to the matters under their supervision during the Reporting Period.

During the Reporting Period, the Company has fully adopted all the code provisions of the "Corporate Governance Code" as set out in Appendix 14 of the Listing Rules of HKEx and there is no material deviation or breach of the code provisions occurred. For corporate governance practice, we strive to implement better practices than the code provisions under the "Corporate Governance Code" of HKEx, mainly in the following aspects:

☑ The stipulation on the terms of office for Independent Directors of no more than 6 years;

☑ Disclosure of the remunerations of all Directors, Supervisors and senior management on a named basis in the annual report;

☑ Appointment of an external auditor for the audit on the internal control of the financial reporting;

☑ Preparation and publication of quarterly results announcements;

☑ Provision of an independent channel for the Audit Committee to obtain information on fraudulent risk;

☑ Establishment of the Risk Management Committee, the risk control and management system for the Group as well as financial risk warning system to exercise regular control and reporting by the Company.

Corporate Governance Report

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

A. Directors

A.1 The Board

The code provisions that we complied with	A.1.1~A.1.8

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

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

In 2017, the Board convened nine plenary meetings, ten executive Directors' meetings and signed two written resolutions of the Board. It has discussed and made decisions on issues covering the Group's operating and financial performance, planning and supervision, business development and challenges, investment and financing plans, changes in accounting estimates, connected transactions and appointments and remunerations of Directors. During the year, when considering relevant proposals, in which the directors who had material interests had complied with the avoidance principle and abstained from voting. For example, when considering the related party transaction/connected transaction in relation to participating in the capital injection of Water Planning Company and the acquisition of Coastal Project, the Directors holding office in Shenzhen International Group (excluding the Group) and other Directors holding interests have declared their interests to the Board and abstained from voting.

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

According to the consideration and decision making needs, the Company may engage the professional institutions including the accounting firms, lawyers and assessment institutions based on the actual situation to issue written report for Directors' review. In addition, in accordance with the Rules of Procedures for the Board of Directors and the relevant requirements, the Directors and the specialized committees may engage professional institutions or professionals through established procedures to obtain professional advice, and the fees so incurred shall be borne by the Company. To ensure the independence of the professional institutions, the specific selection and employment work is conducted by the Independent Directors or Independent Board Committee for the engagement of independent financial advisor for the connected transactions. The selection and employment shall be determined by a majority of votes of the members and the members with connected relationship or conflict of interest shall avoid from voting and shall not constitute a quorum. In 2017, with regard to the Company's acquisition of Coastal Project, all Independent Directors of the Company set up an independent board committee in December, and engaged independent financial advisers to issue independent advice on the issue for shareholders' reference.

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

A.2 *Chairman and Chief Executive Officer*

The code provisions that we complied with	A.2.1~A.2.9

The Company clearly defines the duties between the Chairman and the President, so that the functions of the Board and management are separated to protect the balance of power and authority. In 2017, the Chairman of the Board of the Company is Hu Wei, while the President is Wu Ya De. There is no affiliation or interest relationship between the Chairman and the President, including financial, business, family or any other related relationships. The Chairman is responsible for taking charge and coordinating the operation of the Board, providing leadership in the Board to set the Group's overall development strategies and directions and to achieve the Group's goals, ensuring effective operation of the Board and assuring good corporate governance practices and procedures for the Company. The President, with the support and assistance of the Board and other senior management of the Company, is responsible for coordinating and managing the Group's business and operation, implementing the strategies laid down by the Board and making day-to-day operating decisions.

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

The Board encourages the Directors to maintain a prudent and doubtful attitude as expected, to build an open-minded discussion atmosphere to encourage any dissenting Directors to fully express their point of views, and to motivate the Directors, especially Non-executive Directors to have effective contributions in the Board. During 2017, the Company solicited the opinions of all the Non-executive Directors. The Non-executive Directors considered that there was no matter required to be discussed by the Chairman and Non-executive Directors. The Company has set up a well-established governance structure and formulated multi-tier governance rules. Please refer to "Corporate Governance Summary" and D.3 below in this annual report for details.

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

A.3 *The composition of the Board*

The code provisions that we complied with	A.3.1~A.3.2

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

The current Board is the seventh session of the Board of the Company and the term of office is from 1 January 2015 to 31 December 2017. As at 31 December 2017, the Board comprises Hu Wei, Wu Ya De, Wang Zeng Jin and Liao Xiang Wen as Executive Directors, Zhao Jun Rong, Tse Yat Hong, Liu Ji and Chen Yuan Jun as Non-executive Directors, and Au Sing Kun, Lin Chu Chang, Hu Chun Yuan and Cai Shu Guang as Independent Directors. The Board members come from various industry backgrounds with professional expertise in highway industry, environmental protection industry, financial, accounting and auditing, finance and securities, law, property development and administration and human resources, and two of them (including one Independent Director) possess professional financial and accounting qualifications. The members of the Board have various industry backgrounds and maintain diversity in terms of various aspects including experience, skills and judgment, allowing the Board to analyze and discuss issues from different perspectives and making decisions in a more cautious and careful manner.

Corporate Governance Report

The Board of the Company comprises four Independent Directors, representing one-third of the number of members of the Board, which complies with the relevant requirements. The Board has obtained written confirmations from all Independent Directors concerning their independence in accordance with the requirements under Rule 3.13 of the Listing Rules of HKEx. The Company believes that all Independent Directors have complied with the relevant guidelines as stipulated in such rule and are regarded as independent parties during 2017.

The term of office of the seventh session of the Board of the Company expired on 31 December 2017. The Company held a general meeting on 28 December 2017 to elect the members of the eighth session of the Board, of which the term of office is from 1 January 2018 to 31 December 2020.

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

A.4 Appointment, re-election and removal

The code provisions that we complied with	A.4.1~A.4.3

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

The term of the seventh session of the Board expired in the end of 2017. In view of this, the Company has published a voluntary announcement on 14 September 2017 in relation to the arrangement of the general election of the Board and the matters relating to the nomination, including the general election procedure, the qualification of the nominee, the basic requirement of the Directors and the documents required for the proposers and nominees, to ensure the nomination right of the shareholders.

A.5 Nomination Committee

The code provisions that we complied with	A.5.1~A.5.6

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

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

A.6 The responsibilities of Directors

The code provisions that we complied with	A.6.1~A.6.8

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

Attendance of Directors (including attendance by appointing other Directors as proxies) at the Board meetings in 2017 was 100%, while attendance in person was 82%. Attendance of members in person at the meetings of the specialized committees of the Board (including the meetings of the Independent Directors) was 85%. Attendance of members in person at the general meetings was 67%. Please refer to the "Corporate Governance Summary" in this annual report for the details of the attendance of Directors and the overview of the performance of duties of the Independent Directors during the year.

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

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

In accordance with Appendix 10 to the Listing Rules of HKEx titled "Model Code for Securities Transactions by Directors of Listed Issuers" and the relevant requirements of domestic securities regulatory authorities, the Board formulated the "Securities Transaction Code" of the Company as a written guideline for securities transactions of the Company by the Directors, the Supervisors and relevant staff members. The "Securities Transaction Code" of the Company has incorporated the standards as set out in Appendix 10 to the Listing Rules of HKEx, and has gone beyond such standards to certain extents. After making specific inquiry to all of the Directors, Supervisors and senior management, the Company confirms that all of them have complied with the standards on securities transactions as stipulated in the aforementioned code during the Reporting Period.

In 2017, Independent Directors Cai Shu Guang and Hu Chun Yuan attended the qualification training for independent directors and subsequent trainings held by the SSE, respectively. They systematically studied the relevant laws and regulations concerning the operation of listed companies. During the year, the Company prepared five issues of "Reference Document Summaries for the Board", which systematically summarized and delivered the relevant regulatory documents concerning Directors' performance of duties and responsibilities, and sent approximately 30 regulatory documents relating to various laws and regulations of listed company and the industry. It also provided explanations, advice and interpretations on the key points of the relevant rules and the matters to be brought to the attention of the Directors/Supervisors through document guidance and explanation on the meetings. The above measures allow the Board/Supervisory Committee to continuously and effectively learn the relevant laws and regulations promulgated or updated by regulatory authorities, and provided practical guarantee for the continuous updating of the knowledge and information required for the performance of their duties and the fulfillment of the duties of Directors/Supervisors.

Corporate Governance Report

A.7 Provision and use of information

The code provisions that we complied with	A.7.1~A.7.3

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

Non-executive Directors (including Independent Directors) and Supervisors are able to understand the Company's operation activities, business development trend and the duties as the Company's Directors/Supervisors through several channels to ensure their proper performance of such duties. In 2017, the Company supported the performance of duties of the Directors/Supervisors through the following approaches:

◆ arranged the management to report the progress of the material matters of the Group on the meetings of the Board;

◆ arranged the presentation of the works for the year to provide a detailed report on the completion of the Group's works in 2016 and the work plan in 2017, as well as the progress of the major works and projects including project construction, project investments and industrial upgrade and transformation;

◆ dispatched "Operation Information Monthly" every month, which regularly reports information such as the operation performances of highway projects, progress of construction projects and major works, updates on investee companies, monitoring of the early warning indicators of financial risks and work progress during adjournments of Board meetings;

◆ published two issues of "Market News Briefings" and four issues of "Quarterly Analysis Report on Investor Relations", assisting the Directors/Supervisors to understand in time the news of the Company and other listed companies in the same industry, the regulatory trends and developments, the market performance and the share price performance;

◆ arranged Independent Directors to participate in the trainings held by securities regulatory authorities, and provided consultation of laws and regulations for the Directors/Supervisors in need, allowing them to understand the operation of the Company and the domestic and international rules and principles relating to governance in a comprehensive and systematic manner.

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

B.1 Standard and composition of remuneration and its disclosure

The code provisions that we complied with	B.1.1~B.1.5
The recommended best practice(s) that we complied with	B.1.6~B.1.9

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

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

C. Accountability and Audit

C.1 Financial reporting

The code provisions that we complied with	C.1.1~C.1.5
The recommended best practice(s) that we complied with	C.1.6~C.1.7

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

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

The financial statements contained in this annual report were prepared in accordance with CASBE, and have been audited by the Company's auditor for the year – Ernst & Young Hua Ming LLP ("Ernst & Young"). This statement intends to make clarification to our shareholders for the respective responsibilities of the Directors and the auditor of the Company in relation to the financial statements. It should be read together with the statement of responsibilities of the auditor set out in the Auditor's Report of this annual report.

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

Corporate Governance Report

Under the authorization granted by the Board, the Audit Committee is responsible for reviewing and monitoring the quality and procedures of the Group's financial reporting. During 2017, the committee reviewed the periodic financial statements and made recommendation to the Board for approval. The specific works of the committee included the followings:

- The committee reviewed the interim and the quarterly financial statements of the Group, received the report on the review from the auditor and discussed the handling methods of significant financial and accounting matters with the management and the auditor.
- Before the annual audit began, the committee held meetings with the auditor and discussed the composition of its audit team members, risks of the year, scope of audit, method of audit, focus of audit and the schedule for the annual audit in order to understand the overall work arrangement of the financial statement of the Company for the year, conducted preliminary reviews and issued opinions in writing for the statements.
- During the annual audit process, the committee maintained an ongoing communication with the management and the auditor, and discussed and confirmed over the handling methods of significant financial and accounting matters of the Group, the appropriateness of the accounting policies adopted and the reasonableness of the accounting estimates.
- The committee supervised the completion of the annual audit by the auditor as scheduled and reviewed the Group's annual financial statements and issued its written opinions. The Audit Committee held two meetings in early 2018 (up to the Reporting Date) to review the 2017 annual financial statements and annual report of the Group. Based on the results of relevant work and with reference to the audit opinions of the auditor, the committee is of the view that the Group's 2017 financial statements truthfully and reasonably reflected the operating results and financial position of the Group for the year, and thus recommend the Board to approve the same.

C.2 *Internal control*

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

Having an improved and practical internal control system is the basis of good corporate governance. The Board is responsible for developing and maintaining the internal control system of the Company for the review of the effectiveness of all important control procedures in finance, operations, compliance and risk management, thereby safeguarding shareholders' interests and the Group's assets. During 2017, the Board carried out reviews on the soundness and effectiveness of the internal control system of the Group and issued a self-assessment report on internal control, the assessment of which has included but not limited to the aspects required by C.2.1~C.2.4 of the code provisions. In addition, the Company has engaged an auditor to audit the effectiveness of internal control relating to the financial reporting of the Company in order to provide independent and objective assessment and recommendation in the form of audit report. Please refer to "Internal Control" in this annual report for the details of the establishment of the internal control and risk management system of the Company, the Statement of the Responsibilities of the Board, the self-assessment, key deficiencies (if any) and the audit.

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

C.3 Audit Committee

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

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

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

Corporate Governance Report

The report of the auditor:

Upon the approval of general meeting, the Company appointed Ernst & Young as the Company's auditor for the year of 2017 to carry out a comprehensive audit for the annual financial statements and the internal control and assume the due duties of an international auditor as provided for by the Listing Rules of the HKEx. Ernst & Young has been appointed by the Company as its statutory auditor since 2016. It has been providing audit services to the Group for 2 consecutive years.

The remunerations of the Company's auditor for the year 2017 are set out as follows:

(Unit: RMB'000)	**2017**	2016
Financial statements audit/review fees	**3,780**	2,610
Internal control audit fees	**600**	450
Others (non-audit service)	**1,380**	1,210

Note:

1. The auditor has submitted to the Company a written confirmation in respect of the total amount of the aforementioned remunerations.

2. In 2017, other services provided by Ernst & Young mainly included the assurance services provided in the approval processes of acquire Coastal Expressway equity in accordance with the requirements of the securities regulatory rules, and the circular issued during the acquisition of Derun Environment equity.

Save as the above-mentioned, Qinglian Company, Qinglong Company, Advertising Company and Outer Ring Company, subsidiaries of the Company, engaged Pan-China Certified Public Accountants LLP to provide audit services; Magerk Company, a subsidiary of the Company, engaged Wuhan Ronghua Accountant Ltd. to provide audit services; and Fameluxe Investment, a subsidiary of the Company, engaged Lau, Cheung, Fung & Chan Certified Public Accountants to provide audit services. The audit fees for the year 2017 amounted to RMB80,000, RMB40,000, RMB45,000, RMB20,000, RMB180,000 and RMB7,300,respectively (2016:RMB80,000, RMB40,000, RMB40,000, RMB20,000, RMB180,000 and RMB6,800).

The Audit Committee is responsible for conducting an assessment on the completion of the annual audit and the quality of professional services of the auditor, and makes recommendations to the Board in respect of the appointment or replacement of the auditor. The appointment or replacement of the auditor as well as the determination of audit fees are proposed by the Board at the general meeting for the approval or authorization. According to the stipulated procedures of the Company, the Audit Committee already assessed and summarized the 2017 audit work of Ernst & Young. The committee is of the view that Ernst & Young performed well in terms of independence and objectivity, professional skills, quality and efficiency of audit for financial information disclosure and the communication with the Company.

D. Delegation of Authority of the Board

D.1 The management function

The code provisions that we complied with	D.1.1~D.1.4

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

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

Without material prejudice to or impairment of the overall capability to perform duties and authorities of the Board, the Board has granted Executive Directors certain authorities, so as to enhance the overall quality and efficiency of decision-making of the Company. The Board has also formulated the Rules of Procedures for the Executive Directors Meeting to strengthen the monitoring and management on the authorized matters through establishing a mechanism on procedural management, filing and regular reviews. During the year, the general authorized matters of the Executive Directors were re-organized by the Company with suitable adjustment on the scope of authorization. The Rules of Procedures for the Board of Directors was also revised accordingly to further enhance the efficiency of decision-making of the Company. Specific information and management procedures relating to the authorization have been clearly set out in the Articles of Association of the Company and Rules of Procedures for the Board of Directors. In 2017, the Executive Directors held ten meetings in total, during which they discussed and made decisions on matters regarding remuneration management, organizational structure adjustment, preliminary development of projects, entrusted construction management, and donation within their authorization. Resolutions for such matters have been reported to the Board and Supervisory Committee in time.

D.2 The committees under the Board

The code provisions that we complied with	D.2.1~D.2.2

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

As at the end of the Reporting Period, the composition of each specialized committee of the Board of the Company is set out as follows:

	Strategic Committee	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee
Chairman:	Hu Wei **Executive director**	Hu Chun Yuan **Independent director**	Cai Shu Guang **Independent director**	Cai Shu Guang **Independent director**	Au Sing Kun **Independent director**
Member:	Wu Ya De **Executive director** Liao Xiang Wen **Executive director** Zhao Jun Rong **Non-executive director** Lin Chu Chang **Independent director**	Au Sing Kun **Independent director** Chen Yuan Jun **Non-executive director**	Au Sing Kun **Independent director** Hu Chun Yuan **Independent director** Chen Yuan Jun **Non-executive director** Wang Zeng Jin **Executive director**	Lin Chu Chang **Independent director** Hu Wei **Executive director**	Tse Yat Hong **Non-executive director** Liu Ji **Non-executive director**

Corporate Governance Report

Each specialized committee has appointed a designated member of the management to be the secretary of the committee and clearly defined the meeting and reporting procedures with reference to the procedures for the Board. The meeting minutes of the committees contain the details of the matters discussed in the meetings and are maintained properly according to the file management system of the Company upon the confirmation of all members. The chairman of each committee reports the work progress to the Board regularly and submits the relevant minutes for record. In 2017, the five specialized committees of the Company convened 18 meetings. For details, please refer to the "Corporate Governance Summary" in this annual report.

The eighth session of the Board of the Company has performed its duties since 1 January 2018 and the composition of each specialized committee under the Board during the Reporting Period is set out as follows:

	Strategic Committee	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee
Chairman:	Hu Wei **Executive director**	Bai Hua **Independent director**	Cai Shu Guang **Independent director**	Cai Shu Guang **Independent director**	Wan Siu Wah Wilson **Independent director**
Member:	Wu Ya De **Executive director** Liao Xiang Wen **Executive director** Chen Yan **Non-executive director** Cai Shu Guang **Independent director**	Wan Siu Wah Wilson **Independent director** Chen Xiao Lu **Independent director** Chen Yuan Jun **Non-executive director**	Wan Siu Wah Wilson **Independent director** Bai Hua **Independent director** Chen Yuan Jun **Non-executive director**	Wan Siu Wah Wilson **Independent director** Chen Xiao Lu **Independent director** Hu Wei **Executive director**	Liu Ji **Non-executive director** Fan Zhi Yong **Non-executive director** Gong Tao Tao **Executive director**

D.3 Corporate governance function

The code provisions that we complied with	D.3.1~D.3.2

The Board is responsible for the performance of its duty on corporate governance. During 2017, the Board regularly received reports on the reviews of the rules on governance, the compliant operation of the Company, the Directors' compliant performance of duties and the training and growth of the management, and constantly monitored the overall states and level of corporate governance. Moreover, the Audit Committee also regularly reviewed the relevant review checklists submitted by the Audit Department, examined the compliance of corporate governance practices and the disclosure of the corporate governance report of the Company to ensure the related regulations and issues are implemented and disclosed appropriately.

E. Communication with Shareholders

E.1 Effective communication

The code provisions that we complied with	E.1.1~E.1.4

The Company encourages all shareholders to attend the general meetings. In 2017, a total of two general meetings were held by the Company, as well as two A Share class meetings and two H Share class meetings. For details, please refer to the "Corporate Governance Summary" in this annual report.

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

During the year, the Chairman of the Company attended the annual general meeting and all chairmen of the specialized committees under the Board or their representatives were also arranged to attend the annual general meeting to answer inquiries from the shareholders when necessary.

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

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

E.2 Voting by poll

The code provisions that we complied with	E.2.1

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

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

F. Company Secretary

The code provisions that we complied with	F.1.1~F.1.4

The Secretary to the Board (Company Secretary) of the Company, who is appointed by the Board and reports to the Chairman of the Board for daily routines, is a senior management member of the Company. The Secretary to the Board is responsible for the communication and coordination among the Company, Directors and the shareholders, giving advice to the Board and the management on corporate governance, information disclosure and investor relationship management and the arrangement of specific practices. The Secretary to the Board of the Company is Mr. Luo Kun and the joint company secretaries are Mr. Luo Kun and Ms. Lam Yuen Ling, Eva. During 2017, Mr. Luo Kun and Ms. Lam Yuen Ling, Eva, have completed a total of not less than 15 hours of related training sessions so as to keep their professional knowledge and skills up-to-date and better support the operation of the Board.

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

Internal Control

I. Statement of Responsibilities towards Internal Control

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

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

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

II. Establishment of the Internal Control System

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

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

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

Control environment	To determine the tone of the organisation to influence people's attitude towards internal control. It includes the structure of the Board of Directors, the management's business ethics and integrity, management philosophy and operating style, the mode of distribution of rights and responsibilities, human resource policies and the competence of personnel etc.
Risk assessments	To assess the risks associated with achieving the goals as the foundation of establishing the internal control system for the risk management.
Control activities	To help the management ensure that policies and procedures are implemented in the instructions and intentions. It includes a series of activities, such as approval, authorisation, confirmation, adjustment, check, regular inventory, the division of responsibilities, asset security and so on.
Information and communication	Information should be identified, acquired and transferred in an appropriate manner. Must maintain a broad and smooth transfer within the Company as well as establish the effective communication with external parties, such as customers, suppliers, government and shareholders.
Supervision	It includes continuous supervision, independent assessment, or combination of the two way. Internal control deficiency should be reported to the one who has the ability to solve the problem, including the management and the Board of Directors.

Control objectives

- ✓ Legal compliance management
- ✓ Security of asset
- ✓ True and complete financial reports and related information
- ✓ Improvement of operational efficiency and effectiveness
- ✓ Promoting the realisation of the development strategy

III. Risk Management

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

Internal Control

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

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

◆ Review and approve the annual Assessment Plan for Internal Control;

◆ Keep abreast of the progress of internal control establishment and evaluation tasks through daily routines, periodical summary and reports submitted by the Audit Department;

◆ Comprehend the method and scope of the internal control assessment tests and the key deficiencies found during the tests and their correction;

◆ Discuss with the auditor the scope of audit, the audit results and audit opinions in respect of the audit of internal control;

◆ Review the annual Assessment Report for Internal Control.

According to the relevant requirements of the Corporate Internal Control Standard System which is based on the Basic Standard for Enterprise Internal Control together with the Company's internal control system and method of evaluation, the Board had assessed the effectiveness of the Company's internal control as at 31 December 2017 (the base date of the Assessment Report) and issued 2017 Assessment Report on Internal Control. The scope of evaluation included Shenzhen Expressway Company Limited, Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited, Shenzhen Outer Ring Expressway Investment Company Limited, Guangdong Qinglian Highway Development Company Limited, Hubei Magerk Expressway Management Private Limited, Hunan Yichang Expressway Development Company Limited, Shenzhen Qinglong Expressway Company Limited, Shenzhen Expressway Investment Company Limited and its subsidiaries, Shenzhen Meiguan Expressway Company Limited, Shenzhen Expressway Advertising Company Limited, Mei Wah Industrial (Hong Kong) Limited, Jade Emperor Limited (JEL Company), Maxprofit Gain Limited (Maxprofit Company) and Shenzhen Expressway Environmental Engineering Construction Company Limited, and also covered the main businesses and matters of these companies in terms of corporate governance, business procedures and high-risk areas. The assets of the abovementioned assessed companies accounted for 99% of the Group's total assets as per the consolidated financial statements and their aggregated revenues accounted for 97.64% of the Group's total revenues.

Assessment Report for Internal Control 2017 of the Company (Chinese version) was disclosed on the website of SSE (http://www.sse.com.cn), the website of HKEx (http://www.hkexnews.hk) and the website of the Company (http://www.sz-expressway.com) in separate reports. According to the identified key deficiencies in the internal control on the Company's financial reporting, there was no key deficiency in the internal control on the Company's financial reporting as at the basis date of the assessment report. The Directors are of the opinion that the Company has maintained an effective internal control on financial reporting in all material aspects according to the Corporate Internal Control Standard System and the relevant regulatory requirements. According to the identified key deficiencies in the internal control on the Company's non-financial reporting, no key deficiency in the internal control on the Company's non-financial reporting was aware of as at the basis date of the assessment report. During the period from the basis date of the assessment report and the issue date of Assessment Report for Internal Control 2017, no factors that affect the conclusions on effectiveness of internal control evaluation occurred.

V. Description on Internal Control Audit

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

Investor Relations

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

I. Information Disclosure

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

In 2017, the Company timely completed the preparation and disclosure of its annual, interim and quarterly reports and approximately 160 announcements and other shareholders' documents and information, disclosing in detail the following information of the Company: operations of the Board, the Supervisory Committee and general meetings, dividend distributions, exchange with investors, corporate governance, operating conditions, investment and financing arrangements and so forth. The Company acted, on its own accord, to disclose its monthly operational statistics by way of announcements. The Company also maintained to provide in-depth analyses on its operating and financial positions as well as the major factors affecting its business performance in its annual reports with a view to strengthening investors' understanding about the operation, management and development trends of the Company.

II. Ongoing Communication

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

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

◆ Making the public known the investor hotline and investor relations e-mail, establishing the Investors' Message section on the Company's website, and promptly responding to investors' inquiries. In 2017, the Company replied approximately 160 investors' inquiries through website, telephone or via e-mail.

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

Investor Relations

- Properly arranging request of visits and researches from the investors. During 2017, the Company received in aggregate of 25 investors' visits involving 73 visitors, with an open-minded attitude communicating with the investors, and has built up a direct communication mechanism between investors and the Company.

- Conducting various forms of presentation activities, including organising result presentations and press conferences, online investor meetings and road-shows as well as participating in different types of investor forums. In 2017, the Company conducted face-to-face communications with over 480 investors and media reporters. Details of various presentation activities during 2017 are as follows:

January	◆	Participated in "Shenzhen-Hong Kong Stock Connect Eligible Stocks Analyst Meetings" in Shenzhen
March	◆	Held 2016 annual result presentations and press conferences in Hong Kong and Shenzhen
	◆	Road-shows in Hong Kong
	◆	Participated in "Sinolink Securities (Shenzhen) Investment Forum" in Shenzhen
April	◆	Held an online investor meeting
	◆	Participated in "Essence International Road-shows on Hong Kong Stocks for the Guangdong-Hong Kong-Macau Greater Bay Area" in Shenzhen
	◆	Road-shows in United States – Canada
May	◆	Participated in "HSBC China Conference" in Shenzhen
June	◆	Participated in "Investment Summit on the Golden Age of Hong Kong Stocks" in Shenzhen
	◆	Road-shows in Europe
	◆	Participated in "2017 CITIC Securities' Discussion on Guangdong, Hong Kong and Macau" in Shenzhen
	◆	Participated in "Qianhai Summit Forum on Hong Kong Stocks Through" in Shenzhen
August	◆	Held 2017 interim result presentations and press conferences in Hong Kong and Shenzhen
	◆	Road-shows in Hong Kong
September	◆	Road-shows in Northern Europe
	◆	Participated in "TF Securities Listed Company – Investor Meeting" in Shenzhen
	◆	Participated in "Haitong Securities Listed Company – Investor Meeting" in Shenzhen
October	◆	Held an online investor meeting
	◆	Participated in "Nomura's HK China Transportation and Logistics Corporate Day 2017" in Hong Kong
	◆	Participated in "J.P. Morgan's China A-Share Opportunities Forum 2017" in Hong Kong
	◆	Participated in "2017 CICC Investment Forum" in Beijing
November	◆	Participated in "Jefferies 7th Annual Greater China Summit" in Hong Kong
	◆	Participated in "Citi 12th China Investor Conference 2017" in Shenzhen
	◆	Participated in "Huachuang Securities Strategy Forum" in Shenzhen
December	◆	Road-shows in Singapore
	◆	Participated in "Citi's Hong Kong and China Corporate Day (Theme: Industrials) 2017" in Hong Kong
	◆	Participated in "Guoyuan International Strategy Forum" in Shenzhen
	◆	Road-shows in Hong Kong

- Regularly dispatching information and materials on the operations and development of the Group. The Company prepared and issued a total of 4 issues of E-news and 10 result and progress presentation materials in 2017, providing information to investors on the operating performance and environment of the Company, giving responses to issues which concern investors. Apart from the manner of e-mails, E-news is also uploaded to the Company's website for investors' access at any time.

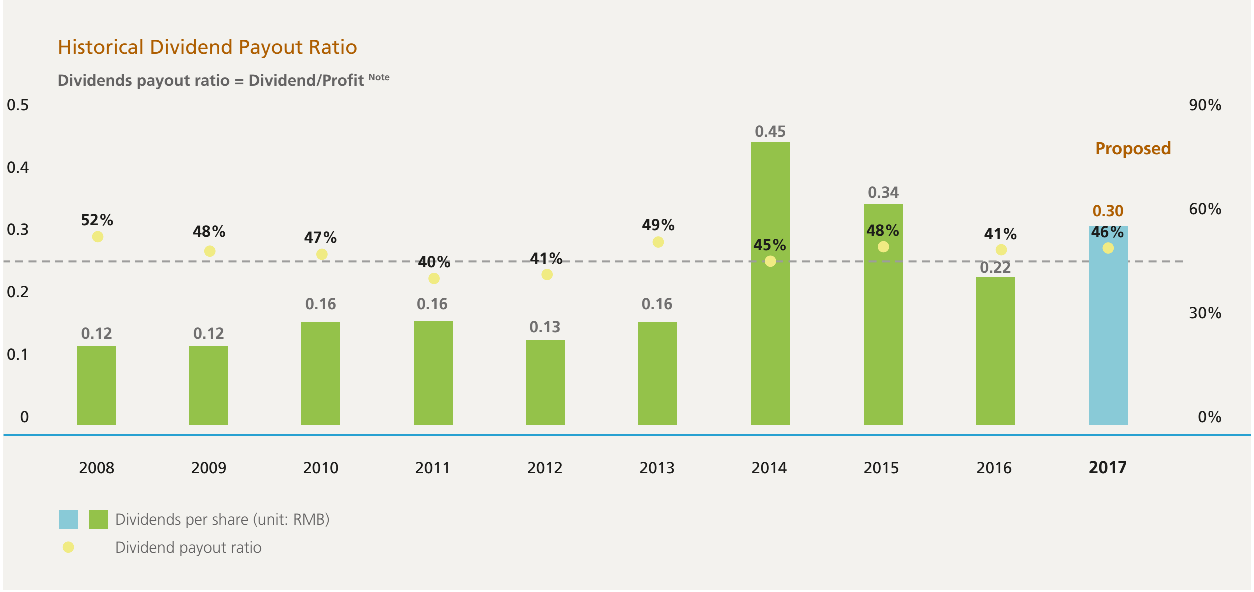
- Investors and the public may check out information such as the Group's basic information, rules for the Company's corporate governance, information disclosure documents, profiles of directors, supervisors and the senior management and the Group's monthly operating performance of toll highway projects at any time on the Company's website.

- The Company also timely handled and replied investors' messages, and uploaded investors' interaction records monthly through the "e-interaction" platform developed by the SSE for listed companies and investors.

III. Shareholder Return

The Company has insisted in rewarding its shareholders with high returns ever since its listing, which is underpinned by the payment of cash dividends for 20 consecutive years with an aggregate cash dividend payment of approximately RMB6.53 billion.

The Board of the Company recommended the payment of a cash dividend of RMB0.30 (tax included) per share for the year 2017. Such proposal is to be submitted to the 2017 Annual General Meeting of the Company for approval. For details, policy and payment of cash dividends of the Company, please refer to "Financial Analysis" in "Management Discussion and Analysis" of this annual report.



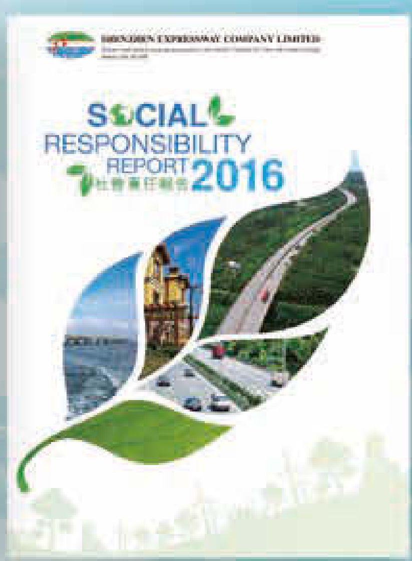
Note: The dividend payout ratio was calculated based on the financial statistics of payout without taking into consideration of the effect of changes in accounting policies thereafter.

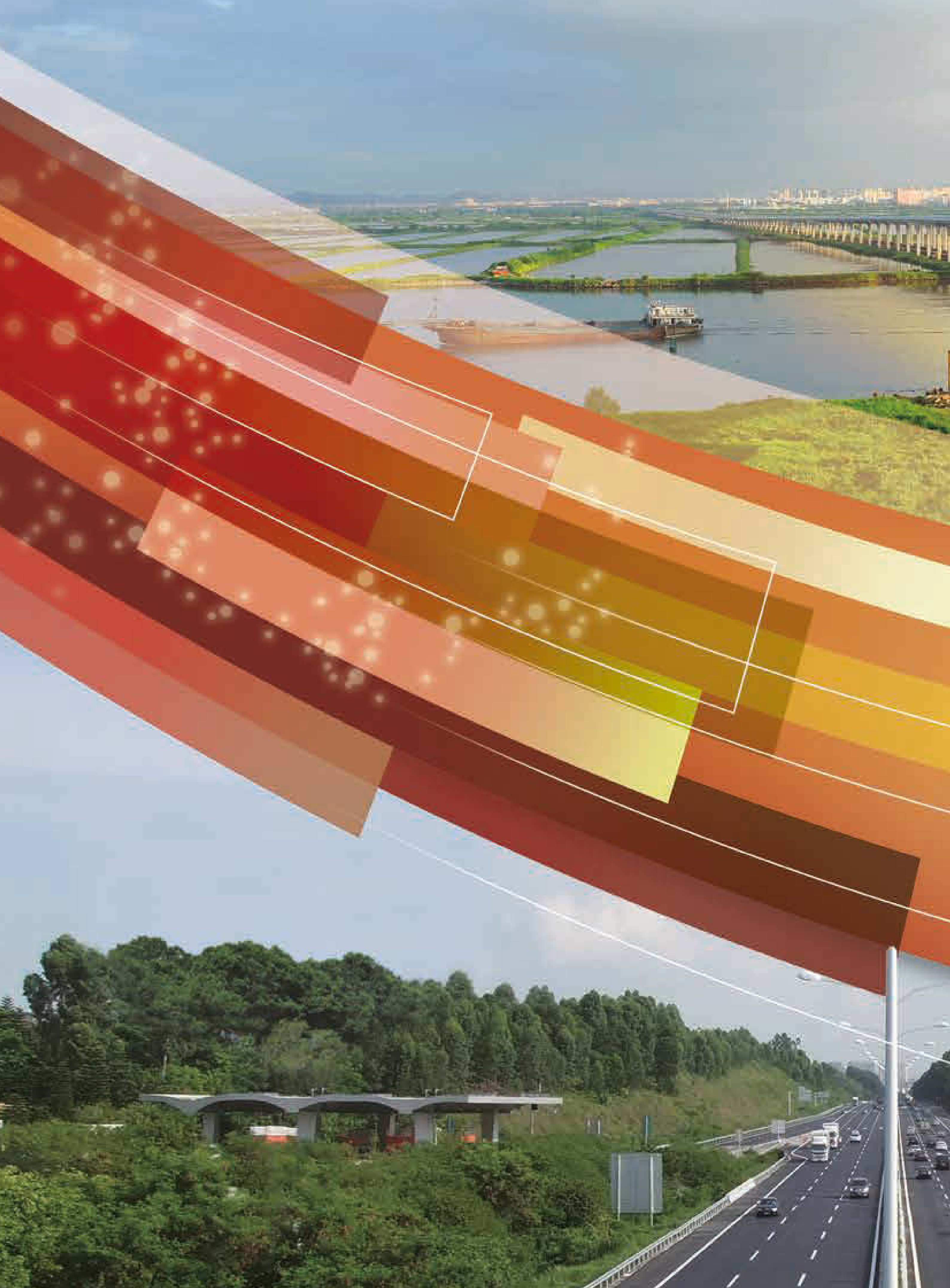
Social Responsibility

Harmonious internal and external environment is essential for the steady and healthy development of an enterprise; and noble corporate deeds can also help improve its competitiveness. Therefore, while going through sustainable development and providing great returns to shareholders, Shenzhen Expressway is committed to be a responsible corporate citizen. Since 2009, the Company has completed the preparation and publication of the annual Social Responsibility Report before April every year, with a view to strengthening the understanding and relationship between the stakeholders and the Company, and welcome supervision from the society.

The social responsibility report of the Company for the year 2017 has been disclosed on the websites of the exchanges in separate report. The Social Responsibility Report of this year placed emphasis on reporting the responsibility and practices of the Company in relation to environment, products, customers, employees, society and community, etc. With the rapid growth of population and social development, resource shortage, environmental deterioration, ecological crisis and other issues have led to a wide range of global concern. Implementing comprehensive environmental governance and strengthening ecological civilization construction have become the mainstream of social progress. At this stage, Shenzhen Expressway is clearly positioned as a "construction and operation service provider for urban and transportation infrastructure". On the basis of toll highways, Shenzhen Expressway has decided that the main target of upgrade and transformation would be urban infrastructure and environmental protection industry with investment and financing being the important means to realise its strategies, with a view to forming an industrial structure of collaborative development among highways, environmental protection and urban infrastructures. By deeply engaging in the environmental protection industry, it hopes to promote harmonious development of human society and the environment through practical actions, earnestly fulfilling its corporate social responsibility.Shenzhen Expressway will continue to pursue the concepts of honesty and faithfulness, scientific operation as well as innovation, thereby realizing sustainable development of the Company. We will also continue to take into account the respective interests of shareholders, creditors, service providers, customers, staff, the government and the community to achieve harmonious mutual success between the Company and the stakeholders within our reach.

The social responsibility report for the year 2017 can be viewed and downloaded under the column of "Social Responsibility" of "Company Overview" on the websites of SSE (http://www.sse.com.cn (in Chinese)), HKEx (http://www.hkexnews.hk (in both Chinese and English)) and the Company (http://www.sz-expressway.com (in both Chinese and English)). Through the report, investors can obtain more comprehensive and detailed information in relation to the performance of social responsibility of the Company.





AUDITOR'S REPORT AND 2017 FINANCIAL STATEMENTS

Note: The part marked with * in the notes to the financial statements is the new or more detailed disclosure in compliance with the Hong Kong Companies Ordinance and the Listing Rules of the Hong Kong Stock Exchange.

Independent Auditor's Report

Ernst & Young Hua Ming (2018) Shen Zi No. 61278656_H01
Shenzhen Expressway Company Limited

To the shareholders of Shenzhen Expressway Company Limited:

I OPINION

We have audited the financial statements of Shenzhen Expressway Company Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated and company statement of financial position as at 31 December 2017, and the consolidated and company statement of profit or loss and other comprehensive income, the consolidated and company statements of changes in equity and the consolidated and company statements of cash flows for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the consolidated and the company's financial position of Shenzhen Expressway Company Limited as at 31 December 2017, and their financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises ("ASBEs").

II BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with China Code of Ethics for Certified Public Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

III KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
1. Acquisition of 20% equity interest in Chongqing Derun Environment Company Limited	
As mentioned in note V.12(3), the Company had completed the acquisition of 20% equity interest in Chongqing Derun Environment Company Limited ("Derun Environment") at cash price amounting to RMB4,415,582,466.80 on 6 June 2017. The equity transaction amount was significant, involving the confirmation of acquisition day, the consideration of distributing between identifiable assets and liabilities, the subsequent accounting treatment of the purchase price and fair value of the acquirer's share in the identifiable net assets. The Company hired an independent appraiser to evaluate the identifiable assets and liabilities of the acquiree in order to determine the respective fair value. The key assumptions and estimates included cash flow projections, discount rates and others. Therefore we considered the issue as a key audit matter.	We performed the following procedures on acquisition of the 20% equity interest in Derun during the audit: 1) We obtained and inspected the property rights contract, resolution from shareholders and the board relating to the acquisition, payment documents with purchase price, registration documents of stock rights and other documents, and checked whether the relevant legal formalities were completed and discussed with the management about the acquisition date; 2) We obtained and reviewed the financial statements and asset appraisal report of Derun Environment on the acquisition date, checked the reasonableness of the acquisition consideration for obtaining the distribution of various identifiable assets and liabilities, and reviewed the rationality of the equity method and the accounting treatment; 3) We evaluated the certification, professional competence and objectivity of the asset appraisers; 4) We involved our internal evaluation experts to review the assessment methods, important parameters and calculation used in the asset appraisal report; 5) We assessed the adequacy of the related equity acquisition disclosed in the financial statements.

Independent Auditor's Report

III KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
2. Considerations on the impairment of the long-term equity investments	
On 31 December 2017, the amount of the long-term equity investments of the Company was RMB9,064,252,280.91, taking a significant part of the assets of the Company. For long-term equity investments with the signals of impairment, the Company implemented an impairment test on this long-term equity investment and hired an independent appraiser to evaluate the associates in order to determine the fair value. The key factors of the assessment affecting the uncertainty of significant accounting estimates include EV/EBIDTA, liquidity discount rates and others. Therefore we considered the issue as a key audit matter. The disclosure of the considerations on the impairment of the long-term equity investments would be included in note III.18, note III. 30 (5) and note V.12.	We performed the following procedures on considerations on the impairment of the long-term equity investments during the audit: 1) We reviewed the operation and market values of associates and discussed with the management in order to assess whether there was an existing impairment indicator of long-term equity investment at the end of the reporting period; 2) We obtained the financial statements and appraisal report of associates investment at the end of the reporting period, reviewed the reasonableness of the method of impairment testing and key parameters adopted. We also compared the key parameters with the public data; 3) We evaluated the certification, professional competence and objectivity of the asset appraisers; 4) We involved our internal evaluation experts to review the assessment methods, important parameters and calculation used in the asset appraisal report; 5) We assessed the adequacy of consideration on the impairment of long-term equity investments disclosed in the financial statements.

IV OTHER INFORMATION

The management of the Company is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. We have already obtained the A-shares 2017 annual report before the audit report date, and the H-shares 2017 annual report is expected to be provided to us after the audit report date.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

V RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with ASBEs, and for designing, implementing and maintaining such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the management either intends to liquidate the Group or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the process of the Company's financial reporting.

VI AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report

VI AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with CSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

(4) Conclude on the appropriateness of the management's use of the going concern basis of accounting. We make the conclusion based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements. If such disclosures are inadequate, the opinion should not be unmodified. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease continuing as a going concern.

(5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, the planned scope and timing of the audit and significant audit findings. The communications include any significant deficiencies in internal control that we identify during our audit.

VI AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to influence our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young Hua Ming LLP

Chinese Certified Public Accountant: Xie Feng (Engagement Partner)

Beijing, the People's Republic of China

Chinese Certified Public Accountant: Deng Dongmei

23 March 2018

Consolidated Statement of Financial Position

31 December 2017
(All amounts in RMB unless otherwise stated)

Item	Note	31 December 2017	31 December 2016
Current assets			
Cash at banks and on hand	V.1	**2,521,265,828.95**	5,663,897,840.79
Financial assets measured at fair value through profit or loss	V.2	–	74,991,317.77
Notes receivable		–	2,928,300.00
Accounts receivable	V.3	**215,538,498.44**	545,051,289.43
Prepayments	V.4	**311,903,037.93**	245,985,667.13
Interest receivable		**2,209,701.24**	15,869,806.93
Other receivables	V.5	**170,155,612.51**	99,297,652.11
Inventories	V.6	**599,254,536.06**	663,113,521.51
Current portion of non-current assets	V.7	**79,908,301.90**	124,169,139.84
Other current assets	V.8	**39,366,991.50**	564,329,427.09
Total current assets		**3,939,602,508.53**	7,999,633,962.60
Non-current assets			
Long-term prepayments	V.9	**326,996,397.88**	184,697,778.86
Available-for-sale financial assets	V.10	**106,557,169.78**	43,490,000.00
Long-term receivables	V.11	**258,387,834.82**	16,519,232.87
Long-term equity investments	V.12	**9,064,252,280.91**	4,703,281,506.17
Investment properties	V.13	**12,950,725.00**	13,526,425.00
Fixed assets	V.14	**957,679,976.99**	1,027,753,114.01
Construction in progress	V.15	**29,162,387.87**	13,575,497.81
Intangible assets	V.16	**21,153,115,139.80**	18,323,851,443.34
Long-term prepaid expenses		**5,256,417.00**	5,373,382.60
Deferred tax assets	V.17	**147,865,704.02**	53,142,103.90
Other non-current assets	V.18	**1,472,000,000.00**	–
Total non-current assets		**33,534,224,034.07**	24,385,210,484.56
Total assets		**37,473,826,542.60**	32,384,844,447.16

Item	Note	31 December 2017	31 December 2016
Current liabilities			
Short-term borrowings	V.20	**2,518,256,000.00**	–
Financial assets measured at fair value through profit or loss	V.2	**71,371,857.30**	–
Accounts payable	V.21	**348,257,339.46**	219,558,035.62
Advances from customers	V.22	**485,162,477.60**	227,629,755.93
Employee benefits payable	V.23	**164,023,319.02**	108,837,788.48
Taxes payable	V.24	**244,195,673.18**	156,192,214.34
Interest payable	V.25	**66,673,607.13**	100,188,323.21
Other payables	V.26	**1,412,456,440.60**	2,387,124,807.60
Current portion of non-current liabilities	V.27	**1,495,651,998.01**	1,582,010,852.14
Deferred revenue	V.31	**2,688,148.48**	2,646,278.06
Total current liabilities		**6,808,736,860.78**	4,784,188,055.38
Non-current liabilities			
Long-term borrowings	V.28	**4,979,185,469.44**	1,783,024,000.00
Bonds payable	V.29	**2,732,092,797.02**	3,742,863,939.90
Provisions	V.30	**136,780,725.09**	127,474,173.03
Deferred revenue	V.31	**142,969,543.54**	158,796,925.07
Deferred tax liabilities	V.17	**1,537,614,506.77**	1,239,319,854.20
Other non-current liabilities	V.32	**5,361,879,999.98**	5,837,822,400.00
Total non-current liabilities		**14,890,523,041.84**	12,889,301,292.20
Total liabilities		**21,699,259,902.62**	17,673,489,347.58
Owners' equity			
Share capital	V.33	**2,180,770,326.00**	2,180,770,326.00
Capital surplus	V.34	**2,154,994,921.43**	2,151,147,518.61
Other comprehensive income	V.35	**887,624,170.50**	894,501,191.30
Surplus reserve	V.36	**2,138,614,923.89**	2,031,208,432.81
Undistributed profits	V.37	**6,256,075,328.76**	5,416,848,490.55
Total equity attributable to owners of the Company		**13,618,079,670.58**	12,674,475,959.27
Minority interests	VII.1(2)	**2,156,486,969.40**	2,036,879,140.31
Total owners' equity		**15,774,566,639.98**	14,711,355,099.58
Total liabilities and owners' equity		**37,473,826,542.60**	32,384,844,447.16

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**

Company Statement of Financial Position

31 December 2017
(All amounts in RMB unless otherwise stated)

Item	Note	31 December 2017	31 December 2016
Current assets			
Cash at banks and on hand		**676,471,526.41**	2,930,695,804.15
Financial assets measured at fair value through profit or loss		**–**	74,991,317.77
Accounts receivable	XIV.1	**111,130,176.03**	463,878,267.64
Prepayments		**9,530,649.12**	6,962,705.40
Interest receivable		**–**	15,089,806.93
Other receivables	XIV.2	**369,260,529.15**	1,542,710,679.60
Inventories		**1,552,959.68**	1,088,338.44
Other current assets		**–**	500,000,000.00
Total current assets		**1,167,945,840.39**	5,535,416,919.93
Non-current assets			
Long-term prepayments		**3,329,760.00**	3,329,760.00
Available-for-sale financial assets		**106,557,169.78**	43,490,000.00
Long-term receivables		**2,890,825,463.77**	3,225,354,145.03
Long-term equity investments	XIV.3	**14,468,685,388.32**	9,280,473,130.10
Investment properties		**12,950,725.00**	13,526,425.00
Fixed assets		**388,079,131.68**	445,238,398.93
Construction in progress		**7,434,768.47**	4,277,528.44
Intangible assets		**3,883,256,173.82**	4,113,798,324.87
Long-term prepaid expenses		**1,396,847.18**	1,820,583.14
Deferred tax assets		**61,832,801.24**	13,037,034.24
Other non-current assets	V.18	**1,472,000,000.00**	
Total non-current assets		**23,296,348,229.26**	17,144,345,329.75
Total assets		**24,464,294,069.65**	22,679,762,249.68

Item	Note	31 December 2017	31 December 2016
Current liabilities			
Short-term borrowings		**1,570,000,000.00**	–
Financial assets measured at fair value through profit or loss		**71,371,857.30**	–
Accounts payable		**20,316,068.70**	21,239,839.51
Advances from customers		**19,378,599.38**	47,179,511.26
Employee benefits payable		**87,189,369.23**	64,919,960.99
Taxes payable		**44,141,456.88**	10,579,685.02
Interest payable		**63,037,480.69**	97,651,044.47
Other payables		**1,165,432,327.68**	899,008,576.76
Current portion of non-current liabilities		**1,400,174,552.51**	1,482,810,852.14
Total current liabilities		**4,441,041,712.37**	2,623,389,470.15
Non-current liabilities			
Long-term borrowings		**839,954,545.45**	–
Bonds payable		**2,732,092,797.02**	3,742,863,939.90
Provisions		**136,780,725.09**	127,474,173.03
Other non-current liabilities		**5,361,879,999.98**	5,837,822,400.00
Total non-current liabilities		**9,070,708,067.54**	9,708,160,512.93
Total liabilities		**13,511,749,779.91**	12,331,549,983.08
Owners' equity			
Share capital	V.33	**2,180,770,326.00**	2,180,770,326.00
Capital surplus		**2,329,774,011.94**	2,313,308,096.42
Other comprehensive income	V.12(2)	**-6,429,331.48**	–
Surplus reserve	V.36	**2,138,614,923.89**	2,031,208,432.81
Undistributed profits		**4,309,814,359.39**	3,822,925,411.37
Total owners' equity		**10,952,544,289.74**	10,348,212,266.60
Total liabilities and owners' equity		**24,464,294,069.65**	22,679,762,249.68

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**

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2017
(All amounts in RMB unless otherwise stated)

Item	Note	2017	2016
1. Total revenue		**4,836,620,833.89**	4,532,209,156.54
Including: Revenue from services	V.38	**4,836,620,833.89**	4,532,209,156.54
2. Total costs		**3,292,113,386.42**	3,395,831,380.52
Including: Cost of services	V.38	**2,498,642,432.82**	2,532,931,316.07
Taxes and surcharges	V.39	**38,592,476.14**	66,285,170.24
Selling expenses		**20,133,559.95**	18,637,421.34
General and administrative expenses	V.40	**183,667,287.22**	138,534,737.61
Financial expenses	V.41	**550,627,630.29**	639,442,735.26
Impairment loss on assets		**450,000.00**	–
Add: Gain or loss from changes in fair value	V.42	**-146,363,175.07**	74,991,317.77
Add: Investment income	V.43	**528,851,330.97**	433,982,120.65
Including: Share of profit of associates and joint ventures	V.12	**489,216,110.92**	306,095,527.42
Gains or loss on disposal of assets	V.44	**-18,724,750.11**	-26,754,328.44
Other income	V.45	**168,111.88**	–
3. Operating profits		**1,908,438,965.14**	1,618,596,886.00
Add: Non-operating income	V.46	**11,116,016.47**	7,235,074.13
Less: Non-operating expenses	V.47	**3,910,278.07**	3,383,057.39
4. Total profit		**1,915,644,703.54**	1,622,448,902.74
Less: Income tax expenses	V.49	**369,643,354.41**	306,027,093.14
5. Net profit		**1,546,001,349.13**	1,316,421,809.60
(1) Classified by business continuity			
Net profit from continuing operations		**1,546,001,349.13**	1,316,421,809.60
(2) Classified by ownership			
Net profit attributable to owners of the Company		**1,426,402,801.01**	1,169,353,230.77
Minority interests	VII.1(2)	**119,598,548.12**	147,068,578.83
6. Other comprehensive income after tax		**-6,877,020.80**	895,670.98
Items that may be reclassified subsequently to profit or loss		**-6,877,020.80**	895,670.98
Including: Foreign exchange gain/loss	-	**2,051,685.00**	895,670.98
Share of other comprehensive income from investees accounted for the equity method to be reclassified to profit or loss in the subsequent year	V.12(2)(3)	**-4,825,335.80**	–
7. Total comprehensive income		**1,539,124,328.33**	1,317,317,480.58
Total comprehensive income attributable to owners of the company		**1,419,525,780.21**	1,170,248,901.75
Total comprehensive income attributable to minority interest		**119,598,548.12**	147,068,578.83
8. Earnings per share			
Basic earnings per share (RMB/share)	V.54(1)	**0.654**	0.536
Diluted earnings per share (RMB/share)	V.54(1)	**0.654**	0.536

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**

Company Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2017
(All amounts in RMB unless otherwise stated)

Item	Note	2017	2016
1. Total Revenue	XIV.4	**1,462,330,626.71**	1,409,261,538.56
Less: Cost of services	XIV.4	**553,909,512.10**	578,516,502.10
Business tax and surcharges		**10,487,638.85**	14,135,040.61
General and administrative expenses		**138,636,821.69**	92,296,287.15
Financial expenses		**265,279,474.18**	355,957,351.33
Add: Gain or loss from changes in fair value		**-146,363,175.07**	74,991,317.77
Investment income	XIV.5	**810,917,240.70**	822,285,665.01
Including: Share of profit of associates and joint ventures		**363,258,608.91**	312,416,068.38
Gains or loss on disposal of assets		**273,101.94**	7,079.82
2. Operating profit		**1,158,844,347.46**	1,265,640,419.97
Add: Non-operating income		**6,792,597.14**	1,524,603.53
Less: Non-operating expenses		**1,291,878.88**	1,309,884.08
3. Total profit		**1,164,345,065.72**	1,265,855,139.42
Less: Income tax expenses		**90,280,154.90**	112,610,492.49
4. Net profit		**1,074,064,910.82**	1,153,244,646.93
Including: Net profit from continuing operations		**1,074,064,910.82**	1,153,244,646.93
5. Other comprehensive income		**-6,429,331.48**	–
Items that may be reclassified subsequently to profit or loss		**-6,429,331.48**	–
Including: Share of other comprehensive income from investees accounted for equity method to be reclassified to profit or loss in subsequent year	V.12(2)	**-6,429,331.48**	–
6. Total comprehensive income		**1,067,635,579.34**	1,153,244,646.93

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**

Consolidated Statement of Cash Flows

Year ended 31 December 2017
(All amounts in RMB unless otherwise stated)

Item	Note	2017	2016
1. Cash flows from operating activities:			
Cash received from rendering services		**4,576,210,526.10**	4,137,701,400.62
Refund of taxes		**–**	68,227.54
Cash received relating to other operating activities	V.50(1)	**119,788,593.88**	129,095,298.18
Sub-total of cash inflows		**4,695,999,119.98**	4,266,864,926.34
Cash paid for goods and services		**406,315,481.80**	494,351,383.18
Cash paid to and on behalf of employees		**482,896,072.70**	543,509,822.50
Payments of taxes and surcharges		**682,978,211.15**	670,622,177.87
Cash paid relating to other operating activities	V.50(2)	**463,103,563.86**	431,771,516.34
Sub-total of cash outflows		**2,035,293,329.51**	2,140,254,899.89
Net cash flows from operating activities		**2,660,705,790.47**	2,126,610,026.45
2. Cash flows from investing activities			
Cash received from recovery of investments		**11,058,312.73**	35,795,085.86
Cash received from returns on investments		**353,716,940.61**	247,659,655.89
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		**27,278,045.94**	86,977.95
Cash received from disposal of subsidiaries and other business units	V.50(3)	**–**	45,593,284.91
Cash received relating to other investing activities	V.50(4)	**2,013,751,400.41**	4,878,006,216.24
Sub-total of cash inflows		**2,405,804,699.69**	5,207,141,220.85
Cash paid to acquire fixed assets and other long-term assets		**934,139,501.27**	382,090,574.03
Net cash paid to acquire subsidiaries and other business units	V.50(5)	**7,056,775,548.12**	1,998,260,000.00
Cash paid relating to other investing activities	V.50(6)	**1,406,000,000.00**	5,356,300,000.00
Sub-total of cash outflows		**9,396,915,049.39**	7,736,650,574.03
Net cash flows from investing activities		**-6,991,110,349.70**	–2,529,509,353.18
3. Cash flows from financing activities			
Cash received from borrowings		**5,522,172,705.99**	31,000,000.00
Cash received from issuing bonds		**–**	1,967,439,454.47
Sub-total of cash inflows		**5,522,172,705.99**	1,998,439,454.47
Cash repayments of borrowings		**2,178,538,722.75**	2,099,901,764.00
Cash payments for interest expenses and distribution of dividends or profits		**1,184,336,066.19**	1,303,035,523.34
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		**144,600,742.17**	234,695,353.43
Cash payments relating to other financing activities	V.50(7)	**386,173,342.31**	124,942,614.23
Sub-total of cash outflows		**3,749,048,131.25**	3,527,879,901.57
Net cash flows from financing activities		**1,773,124,574.74**	-1,529,440,447.10
4. Effect of foreign exchange rate changes on cash		**148,741.70**	-5,012,626.22
5. Net increase/(decrease) in cash	V.51(2)	**-2,557,131,242.79**	–1,937,352,400.05
Add: Cash at beginning of year		**4,243,639,666.01**	6,180,992,066.06
6. Cash at end of year	V.51(2)	**1,686,508,423.22**	4,243,639,666.01

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**

Company Statement of Cash Flows

Year ended 31 December 2017
(All amounts in RMB unless otherwise stated)

Item	Note	2017	2016
1. Cash flows from operating activities			
Cash received from rendering services		**793,802,614.51**	902,988,242.98
Cash received relating to other operating activities		**1,843,879,283.52**	39,162,100.69
Sub-total of cash inflows		**2,637,681,898.03**	942,150,343.67
Cash paid for goods and services		**102,474,067.51**	124,402,396.83
Cash paid to and on behalf of employees		**226,816,070.43**	186,814,895.62
Payments of taxes and surcharges		**165,236,430.25**	188,498,126.52
Cash paid relating to other operating activities		**491,065,857.19**	52,078,506.59
Sub-total of cash outflows		**985,592,425.38**	551,793,925.56
Net cash flows from operating activities		**1,652,089,472.65**	390,356,418.11
2. Cash flows from investing activities			
Cash received from recovery of investments		**50,408,647.38**	302,650,360.24
Cash received from returns on investments		**402,931,484.62**	609,187,807.30
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		**273,101.94**	–
Cash received relating to other investing activities		**3,183,461,161.53**	4,606,489,706.86
Sub-total of cash inflows		**3,637,074,395.47**	5,518,327,874.40
Cash paid to acquire fixed assets and other long-term assets		**12,894,986.41**	17,388,780.16
Net cash paid to acquire subsidiaries and other business units		**6,822,127,800.00**	1,978,260,000.00
Cash paid relating to other investing activities		**1,401,000,000.00**	5,253,654,359.99
Sub-total of cash outflows		**8,236,022,786.41**	7,249,303,140.15
Net cash flows from investing activities		**-4,598,948,390.94**	–1,730,975,265.75
3. Cash flows from financing activities			
Cash received from borrowings		**3,420,000,000.00**	–
Cash received from issuing bonds		**–**	1,967,439,454.47
Sub-total of cash inflows		**3,420,000,000.00**	1,967,439,454.47
Cash repayments of borrowings		**2,000,000,000.00**	1,619,997,000.00
Cash payments for interest expenses and distribution of dividends or profits		**717,321,146.78**	972,860,228.15
Cash payments relating to other financing activities		**14,726,908.69**	2,710,740.59
Sub-total of cash outflows		**2,732,048,055.47**	2,595,567,968.74
Net cash flows from financing activities		**687,951,944.53**	-628,128,514.27
4. Effect of foreign exchange rate changes on cash		**-932,005.64**	–6,128,945.58
5. Net increase/(decrease) in cash		**-2,259,838,979.40**	–1,974,876,307.49
Add: Cash at beginning of year		**2,881,566,453.69**	4,856,442,761.18
6. Cash at end of year		**621,727,474.29**	2,881,566,453.69

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**

Consolidated Statement of Changes in Equity

Year ended 31 December 2017
(All amounts in RMB unless otherwise stated)

	31 December 2017							
	Attributable to owners of the Company							
Item	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profit	Sub total	Minority interests	Total owner's equity
1. 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	12,674,475,959.27	2,036,879,140.31	14,711,355,099.58
2. Movements during the year ended 31 December 2017	-	3,847,402.82	-6,877,020.80	107,406,491.08	839,226,838.21	943,603,711.31	119,607,829.09	1,063,211,540.40
(1) Total comprehensive income	-	-	-6,877,020.80	-	1,426,402,801.01	1,419,525,780.21	119,598,548.12	1,539,124,328.33
Net profit	-	-	-	-	1,426,402,801.01	1,426,402,801.01	119,598,548.12	1,546,001,349.13
Other comprehensive income	-	-	-6,877,020.80	-	-	-6,877,020.80	-	-6,877,020.80
(2) Withdrawal or transfer of investment by shareholders	-	-	-	-	-	-	-37,807,184.28	-37,807,184.28
Withdrawal of investment by shareholders	-	-	-	-	-	-	-37,807,184.28	-37,807,184.28
(3) Profit distribution	-	-	-	107,406,491.08	-587,175,962.80	-479,769,471.72	-144,600,742.17	-624,370,213.89
Appropriation to surplus reserves	-	-	-	107,406,491.08	-107,406,491.08	-	-	-
Profit distribution to equity owners	-	-	-	-	-479,769,471.72	-479,769,471.72	-144,600,742.17	-624,370,213.89
(4) Others	-	3,847,402.82	-	-	-	3,847,402.82	182,417,207.42	186,264,610.24
3. Ending balance on 31 December 2017	**2,180,770,326.00**	**2,154,994,921.43**	**887,624,170.50**	**2,138,614,923.89**	**6,256,075,328.76**	**13,618,079,670.58**	**2,156,486,969.40**	**15,774,566,639.98**

	31 December 2016							
	Attributable to owners of the Company							
Item	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profit	Sub total	Minority interests	Total owner's equity
1. Ending balance on 31 December 2015	2,180,770,326.00	2,274,351,523.42	893,605,520.32	1,915,883,968.12	5,104,281,635.31	12,368,892,973.17	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	305,582,986.10	-555,308,408.62	-249,725,422.52
(1) Total comprehensive income	-	-	895,670.98	-	1,169,353,230.77	1,170,248,901.75	147,068,578.83	1,317,317,480.58
Net profit	-	-	-	-	1,169,353,230.77	1,169,353,230.77	147,068,578.83	1,316,421,809.60
Other comprehensive income	-	-	895,670.98	-	-	895,670.98	-	895,670.98
(2) Withdrawal or transfer of investment by shareholders	-	-123,204,004.81	-	-	-	-123,204,004.81	-332,574,633.51	-455,778,638.32
Acquisition of minority interests	-	-120,924,166.49	-	-	-	-120,924,166.49	-332,574,633.51	-453,498,800.00
Others	-	-2,279,838.32	-	-	-	-2,279,838.32	-	-2,279,838.32
(3) Profit distribution	-	-	-	115,324,464.69	-856,786,375.53	-741,461,910.84	-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	-741,461,910.84	-250,823,850.89	-992,285,761.73
(4) Others	-	-	-	-	-	-	-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	12,674,475,959.27	2,036,879,140.31	14,711,355,099.58

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**

Company Statement of Changes in Equity

Year ended 31 December 2017
(All amounts in RMB unless otherwise stated)

Item	31 December 2017					
	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profit	Total owner's equity
1. 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
2. Movements during the year ended 31 December 2017	–	16,465,915.52	-6,429,331.48	107,406,491.08	486,888,948.02	604,332,023.14
(1) Total comprehensive income	–	–	-6,429,331.48	–	1,074,064,910.82	1,067,635,579.34
Net profit	–	–	–	–	1,074,064,910.82	1,074,064,910.82
Other comprehensive income	–	–	-6,429,331.48	–	–	–6,429,331.48
(2) Profit distribution	–	–	–	107,406,491.08	-587,175,962.80	–479,769,471.72
Appropriation to surplus reserves	–	–	–	107,406,491.08	-107,406,491.08	–
Profit distribution to equity owners	–	–	–	–	-479,769,471.72	–479,769,471.72
(3) Other	–	16,465,915.52	–	–	–	16,465,915.52
3. Ending balance on 31 December 2017	**2,180,770,326.00**	**2,329,774,011.94**	**-6,429,331.48**	**2,138,614,923.89**	**4,309,814,359.39**	**10,952,544,289.74**

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) Withdrawal or transfer of investment by shareholders	–	-2,279,838.32	–	–	–2,279,838.32
Other	–	-2,279,838.32	–	–	–2,279,838.32
(3) Profit distribution	–	–	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
(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

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**

Notes to Financial Statements

31 December 2017
(All amounts in RMB unless otherwise stated)

I. GENERAL INFORMATION

1. General information of the Company

Shenzhen Expressway Company Limited (the "Company") was established as a joint stock limited company in Guangdong Province, the People's Republic of China (the 'PRC') on 30 December 1996. The Company has its H shares and A shares listed on the Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange of the PRC respectively. The address of the registered office is Fumin Toll Station, Fucheng Subdistrict, Longhua District, Shenzhen, the PRC. The head office of the Company is located at 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, management and investment of toll highways and expressways in the PRC.

Shenzhen International Holdings Limited ("Shenzhen International") is the parent company of the Company. 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 2017 is disclosed in Note VII.1. The Company consolidated the operation results and cash flow of Hunan Yichang Expressway Development Co., Ltd. ("Yichang Company") and Hunan Changsha Shenchang Expressway Co., Ltd. ("Shenchang Company") into the consolidated financial statements of the Group. The detailed information of the consolidated financial statements changed during the year ended 31 December 2017 is disclosed in Note VI.

These financial statements have been approved for issue by the Company's Board of Directors on 23 March 2018.

II. THE BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

1. Basis of preparation

The financial statements were prepared in accordance with the Basic Standards and the Specific Standards of the Accounting Standards for Business Enterprises ("ASBE") issued by the Ministry of Finance, and Application Guidance for ASBE, interpretations and other relevant regulations issued and revised thereafter (hereafter referred to as "CAS"). In addition, the financial statements were disclosed in accordance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and regulations of the Hong Kong Company Ordinance.

2. Going concern

The financial statements have been prepared on a going concern basis.

As at 31 December 2017, the Group had net current liabilities of RMB2,869,134,352.25. The directors of the Company made an assessment on going concern. The Group generates positive operating cash flows and maintains good relationship with banks and it has not experienced any difficulties in renewing its banking facilities. In addition, the Group had unutilised banking facilities of approximately RMB13.5 billion as at 31 December 2017 with no reservation kept by the related banks, which can meet its obligations and capital commitments. The directors of the Company therefore are of the opinion that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

Except for certain financial instruments, the financial statements have been prepared using historical cost as the principle of measurement. Where assets are impaired, provisions for asset impairment are made in accordance with the relevant requirements.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Group makes specific accounting policies and accounting estimates according to characteristics of its business operations. The focus of the accounting policies and accounting estimates is the provision of bad debt of receivables (Note III.10), the criteria for determining impairment of non-current assets (Note III.18), depreciation policy of fixed assets and amortisation policy of intangible assets (Note III.14 and 17), measurement of provisions (Note III.21), revenue recognition (Note III.22) and recognition of deferred income tax assets (Note III.24), etc.

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

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

In compliance with the Chinese Accounting Standards, the financial statements for the year ended 31 December 2017 are and truly and completely present the consolidated and the Company's financial state on 31 December 2017 and the operating results, cash flows and other information for the year ended 31 December 2017 of the Group and the Company.

2. Accounting period

The accounting period started on 1 January 2017 and ended on 31 December 2017.

3. Normal operating cycle

Except for the real estate business and construction business, the operating cycle of the Group's business is relatively short. The classification standard of asset and liability's liquidity is 12 months. The operating cycle of real estate business would generally be longer than 12 months, starting from the commencement of property development to the collection of sales proceeds. The length of the specific operating cycle, which is used as the classification criterion of the liquidity of assets and liabilities in this business, depends on the development project. The operating cycle of construction business would generally be longer than 12 months, starting from the commencement of construction project to completion settlement. The length of the specific operating cycle, which is used as the classification criterion of the liquidity of assets and liabilities in this business, depends on the development project.

4. Functional currency

The Company adopts Renminbi ("RMB") as its functional currency for preparing its financial statements except that Fameluxe Investment Company Limited ("Fameluxe Investment") adopts the Hong Kong dollar ("HKD") as its functional currency. The financial statements are denominated in RMB unless there is any special circumstance.

5. Business combination

A business combination refers to a transaction or event that bringing 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.

Notes to Financial Statements

31 December 2017
(All amounts in RMB unless otherwise stated)

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

5. Business combination (continued)

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 merging party, the other combining enterprise(s) is(are) the merged party (parties). The combination date is the date on which the merging party actually obtains control of the merged party(parties). Assets and liabilities (including goodwill arising from the acquisition of the merged party by the ultimate controlling party) obtained by the merging party in a business combination shall be measured at their carrying amounts at the date of combination as recorded by the ultimate controlling party. 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.

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. In a business combination not involving enterprises under common control, the party which obtains control of other combining enterprise(s) on the combination date is the acquirer, the other combining enterprise(s) is(are) the acquire(s). The combination date is the date on which the acquirer actually obtains control of the acquiree(s).

The acquiree's identifiable assets, liabilities and contingent liabilities acquired by the acquirer in a business combination not involving enterprises under common control that meet the recognition criteria shall be measured at fair value at the acquisition date.

Where the fair value of combination consideration (or the fair value of issued equity securities) and the fair value of the equity interest held in the acquire prior to the acquisition date exceed the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognized as goodwill, which is subsequently measured at cost less accumulated impairment losses. Where the fair value of combination consideration (or the fair value of issued equity securities) and the fair value of the equity interest held in the acquiree prior to the acquisition date are less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer firstly reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the fair value of combination consideration (or the fair value of issued equity securities) and the fair value of the equity interest held in the acquire prior to the acquisition date. If the fair value of combination consideration (or the fair value of issued equity securities) and the fair value of the equity interest held in the acquire prior to the acquisition date are still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets after the reassessment, the acquirer recognizes the difference immediately in profit or loss for the current period.

For a business combination realized by two or more transactions of exchange, the equity interest held before acquisition date is remeasured at the fair value on the acquisition date and any resulting gain or loss is recognized in investment income of the current year.For the other comprehensive income generated under equity method from the equity interest which is already held before the acquisition date, the same accounting treatment, the investee directly disposes the related assets and liabilities, should be used, and changes in owners' equity of the investee other than net profit or loss, other comprehensive income and profits distribution are recognized in profit or loss when the investment s are disposed of.

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

6. Preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on the basis of control. The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries for the year ended 31 December 2017. A subsidiary is an entity (including an entity, a separable part of an investee, and the structural entities controlled by the Company) which is under the control of the Company.

The accounting policies and accounting periods of the Company and subsidiaries should be consistent in preparation of the consolidated financial statements. All assets, liabilities, equity, income, expenses and cash flows arising from intra-group transactions are eliminated on consolidation.

When the amount of loss for the period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount is still allocated against non-controlling interests.

For a subsidiary that is acquired in a business combination involving enterprises not under common control, the operating result and cash flows of acquire shall be consolidated into the consolidated financial statements from the date on which the Group takes control of acquiree to the date on which such control ceases. In the preparation of consolidated financial statements, the financial statement of subsidiary shall be adjusted based on the fair value of the subsidiary's identifiable assets, liabilities or contingent liabilities determined as at the acquisition date.

For a subsidiary that is acquired in a business combination involving enterprises under common control, the operation results and cash flows of the merged party shall be incorporated into the consolidated financial statements at the beginning of the current period. In the preparation of consolidated financial statement, the relative items of the financial statement of previous period shall be treated as the merged party was formed under the control of the Group at the very beginning.

If a change in any facts and circumstances gives rise to one or more changes in controlling factors, the Group will reassess whether it controls the investee or not.

Change in non-controlling interests that does not result in the loss of control over the subsidiary is accounted for as an equity transaction.

In case of the package deals, in which the equity investment in the subsidiary is lost through step-by-step disposals and multiple transactions until it loses control, the transaction will be treated as a transaction disposing the subsidiary and losing control. However, before the loss of control, the difference between the disposal price and the share of the net assets of the subsidiary should be recognized in the consolidated financial statements as other comprehensive income. When the control right is lost, it is transferred to the profit and loss of the period of losing control. In case of disposing of the equity investment in the subsidiary company through multiple transactions until the loss of control right, which does not belong to the package deals, a corresponding accounting treatment shall be carried out on whether each transaction division loses the control right. In the case of losing control, the remaining equity shall be remeasured at the fair value on the date of the loss of control. The difference between the consideration obtained by disposing of the equity adding the fair value of the remaining equity and the share of the net assets calculated on the basis of the original shareholding proportion at the purchase date, is recognized the profit and loss of the period of losing control. If there is goodwill for the subsidiary, the amount of the goodwill should be deducted when calculating the gain or loss on the disposal of the subsidiary. Other comprehensive income related to the equity investment of the original subsidiary company is treated on the same basis as the subsidiary directly disposes of the relevant assets or liabilities when losing control. The shareholders' equity recognized in the change in other shareholders' equity, other than the net profit or loss, other comprehensive income, and profit distribution of the original subsidiary, should be transferred to the profit and loss of the period of losing control.

Notes to Financial Statements

31 December 2017
(All amounts in RMB unless otherwise stated)

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

7. Cash and cash equivalents

Cash comprises the Group's cash on hand and deposits that can be withdrawn on demand at any time. Cash equivalents are the Group's 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 translation

The Group's foreign currency transactions are translated and recorded in the respective functional currency.

A foreign currency transaction is recorded in the functional currency on initial recognition, by applying the exchange rate on the date of transaction or applying the average exchange rate through the transaction period. At the end of the reporting period, foreign currency monetary items are translated into the functional currency using the spot exchange rates at the end of the reporting period. Exchange differences arising from the differences between the spot exchange rates prevailing at the end of the reporting period and those on initial recognition or at the previous end of the reporting period are recognised in profit or loss for the period, except that exchange differences that qualify for capitalisation related to a specific-purpose borrowing denominated in foreign currency are capitalised as part of the cost of the qualifying asset during the capitalisation period. Foreign currency non-monetary items measured at historical cost are re-translated at the spot exchange rate on the date of transaction but the amount of the functional currency is not changed. Foreign currency non-monetary items measured at fair value are re-translated at the spot exchange rate on the date the fair value is determined. Differences between the re-translated functional currency amount and the original functional currency amount are recognised in profit or loss or as other comprehensive income depending on the nature of the non-monetary items.

For the purpose of preparing the consolidated financial statements, financial statements of a foreign operation are translated from the foreign currency into RMB using the following method: assets and liabilities on the statement of financial position are translated at the spot exchange rate at the end of the reporting period; shareholders' equity items except for retained earnings are translated at the spot exchange rates at the dates on which such items arose; income and expenses in the statement of profit or loss are translated at average exchange rates during the transaction period. The exchange differences arising on translation of financial statements denominated in foreign currencies are recognised as other comprehensive income. For disposals of equity interests in foreign operations, the proportionate share of the accumulated exchange differences arising on translation of financial statements in other comprehensive income of foreign operations should be transferred to profit or loss. For partial disposals, the reclassification is determined on proportion of disposal.

Cash flows arising from a transaction in foreign currency and the cash flows of a foreign subsidiary should be translated at the average exchange rate of the transaction period of cash flows. The effect of exchange rate changes on cash and cash equivalents is regarded as a reconciling item and presented separately in the statement of cash flows.

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

9. Financial instruments

(1) Financial assets

(a) Classification of financial assets

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

Financial assets measured at fair value through profit or loss ("FVTPL").

The Group's financial assets at FVTPL include financial assets held for trading and financial assets designated upon initial recognition as at FVTPL.

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are either designated in this category or not classified in any of the other categories at initial recognition. Available-for-sale financial assets are included in other current assets on the statement of financial position if management intends to dispose of them within 12 months after the end of the reporting period.

(b) Recognition and measurement of financial assets

Financial assets are recognised at fair value on the statement of financial position when the Group becomes a party to the contractual provisions of the financial instrument. In the case of financial assets measured at fair value through profit or loss, the related transaction costs incurred at the time of acquisition are recognised in profit or loss for the current period. For other financial assets, transaction costs that are attributable to the acquisition of the financial assets are included in their initial recognition amounts.

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

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

Notes to Financial Statements

31 December 2017
(All amounts in RMB unless otherwise stated)

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

9. Financial instruments (continued)

(1) Financial assets (continued)

(c) Impairment of financial assets

The Group assesses the carrying amounts of financial assets other than those measured 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 recognisation of the financial asset which will also affect the estimated future cash flows while the Group can have a reliable measurement on that effect.

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

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

(d) Derecognition of financial assets

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

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

(2) Financial liabilities

(a) Classification of financial liabilities

Financial liabilities are classified into the following categories at initial recognition: financial liabilities measured 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.

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

9. Financial instruments (continued)

(2) Financial liabilities (continued)

(b) Recognition and measurement

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

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

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

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

(3) Determination of fair value of financial instruments

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

(4) Derivative financial instruments

The Group uses derivative financial instruments, which are currency forward 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. Gains or losses arising from changes in the fair value of derivatives are directly charged to profit or loss for the current period.

Notes to Financial Statements

31 December 2017
(All amounts in RMB unless otherwise stated)

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 the sale of goods or rendering of services are initially recognised at fair value of the contractual payments from the buyers or service recipients. Accounts receivable arising from rental services are initially recognised at fair value of the contractual payments from leasees.

(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, any individual amount 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 grouping the receivables 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 and other appropriate methods

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

Aging	Provisioning percentage applied for accounts receivable (%)	Provisioning percentage applied for other receivables (%)
Within 1 years	–	–
1 year to 2 years	–	–
2 years to 3 years	–	–
Over 3 years	100	100

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

10. Receivables (continued)

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

Ratios of provision for bad debts using other methods for the 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 or receivables of the nature of deposits and guarantees unless there is objective evidence that the Group will not be able to collect the full amount under the original terms of the receivable.

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

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

11. Inventories

(1) Classification

Inventories include real estate properties for 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 held-for-sale, properties under development and properties held for development. Properties held-for-sale are those properties completed and for sale, while properties under development are those properties still under construction and for sale purposes, and properties held for development are those lands purchased and planned to have properties developed on.

(2) Costing of inventories

The cost of completed properties held-for-sale is determined using the specific identification method, which comprise the land cost, construction cost and other cost. The costs of toll tickets, low value consumables, maintenance and repair parts and materials in stock are determined using the weighted average method.

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

11. Inventories (continued)

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

At the end of the reporting period, the inventories are measured at the lower of the cost and the net realizable value. If the cost is higher than the net realizable value, the provision for the inventories should be recognized in the profit and loss of the current period. If the influencing factors of the provision for inventories have been eliminated and the net realizable value of inventories is higher than its book value, the previously deducted amount will be recovered from the amount of provision for inventories accrued previously and the amount should be recognized in the profit and loss of the current period.

Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs and related taxes necessary to achieve completion and to make the sale.

Inventory system adopts the Perpetual Inventory Systems.

12. Long-term equity investments

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

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

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

(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 the 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 the 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. Investments remain long-term after disposal are recognized in proportion, where 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.

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

12. Long-term equity investments (continued)

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

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

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

For long-term equity investments accounted for using the equity method, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group discontinues recognising its share of net losses of an investee after the book value of the long-term equity investment and any long-term interests that, in substance, form part of the investor's net investment in the investee is 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 the current period. For a long-term equity investment accounted for using the equity method, when the Group discontinues using the 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 the 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 the 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, joint control or significant influence over the investees

Control refers to having the power over the investee, enjoying variable returns by participating in related activities of the investee, and being able to use its power over the investee to influence the invest return.

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

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

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

12. Long-term equity investments (continued)

(4) Impairment of long-term equity investments

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

13. Investment properties

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

The Group adopts the cost model for the subsequent measurement of investment properties. Investment properties are depreciated or amortised to their estimated net residual values over their estimated useful lives. The estimated useful life, the estimated residual value rate and the annual amortisation rate 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 carrying amount at the date of the transfer.

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

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

The carrying amount of investment properties should be reduced to the recoverable amount when its recoverable amount is below the carrying amount (Note III.18).

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

14. Fixed assets

(1) Recognition and initial measurement of fixed assets

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

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

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

(2) Depreciation methods of fixed assets

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

Type	Depreciation method	Estimated useful lives (year)	Estimated residual value rate	Annual depreciation rate
Buildings				
– Office buildings	Straight-line	20-30 years	5%	3.17%-4.75%
– Temporary houses	Straight-line	5-10 years	5%	9.50%-19.00%
– Constructions	Straight-line	15 years	5%	6.33%
Traffic equipment	Straight-line	5-10 years	0%-5%	9.50%-20.00%
Motor vehicles	Straight-line	5-6 years	5%	15.83%-19.00%
Office and other equipment	Straight-line	3-5 years	0%-5%	19.00%-33.33%

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 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.18).

(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.

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

15. Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs and 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 should be transferred to fixed assets when the assets are ready for their intended use, and should start to depreciate in the following month. The book value of construction in progress should be reduced to the recoverable amount if the recoverable amount is below the book value (Note III.18).

16. Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction of a fixed asset that needs a substantially long period of time for acquisition and construction for its intended use, which are 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 by the weighted average of the excess amount of cumulative expenditures on the asset over the amount of specific borrowings. The effective interest rate is the rate at which estimated future cash flows during the expected or shorter period applied to be discounted to the initial amount of the borrowings.

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

17. Intangible assets

Intangible assets include concession intangible assets, billboard use right and software. And the intangible assets 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. Actual cost comprises construction infrastructure 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 is finalized.

The concession intangible assets, the toll roads invested by the state-owned shareholders on 1 January 1997 were stated at valuation 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) invested 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 invested by Xin Tong Chan Development (Shenzhen) Company Limited ("Xin Tong Chan Company"), one of the promoters of the Company, at the value specified in the 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 the 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 with the concession combined with the actual traffic volume during each accounting period written off.

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.

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

17. Intangible assets (continued)

(1) Concession intangible assets (continued)

The respective operating period and amortisation units 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)	4.49
Yanpai Expressway	May 2006 to March 2027	1.97
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	4.71
Shenzhen Airport-Heao Expressway (Eastern Section)	October 1997 to March 2027	3.49
Wuhuang Expressway	September 1997 to September 2022	8.46
Qinglian Expressway	July 2009 to July 2034	26.54
Shuiguan Expressway	March 2002 to February 2027	5.86
Yichang Expressway	January 2004 to December 2033	9.53
Changsha Ring Road (Northwestern Section)	November 1999 to October 2029	2.45

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

(2) Other intangible assets

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

(3) Periodical review of useful life and amortisation method

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

(4) Impairment of intangible assets

The book value of intangible assets should be reduced to the recoverable amount if the recoverable amount is below the book value (Note III.18).

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

18. Impairment of long-term assets

Fixed assets, construction in progress, intangible assets with finite useful lives, investment properties measured using the cost model and long-term equity investments in subsidiaries, joint ventures and associates are tested for impairment if there is any indication that an asset may be impaired at the end of the reporting period; intangible asset that is not ready for its intended use should be 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 solely presented in the financial statements is tested at least annually for impairment, irrespective of whether there is any indication of impairment. 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.

19. Long-term prepaid expenses

Long-term prepaid expenses comprise the prepaid expenditures but should be recognized as expenses for the current and subsequent periods, which in total are 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 end of the reporting period.

20. Employee benefits

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

(1) Accounting treatment of short-term wages

Short-term wages include wages or salaries, bonuses, allowances and subsidies, staff welfare, medical insurance, employment injury insurance, maternity insurance, housing funds, labor union funds, employee education funds, 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 to profit or loss or capitalized in costs of related assets. The non-monetary welfare is measured at fair value.

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

20. Employee benefits (continued)

(2) Accounting treatment of pension benefits

The Group classifies the retirement benefit plans as defined contribution plans and defined benefit plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into an independent fund. And as the result, 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 were mainly pension insurance and unemployment insurance which were both defined contribution plans.

(a) Basic pension insurance

The Group's employees are involved in the basic social pension insurance organized and implemented by the local labor and social security bureau. The Group paid the basic pension issuance expenses monthly to designated insurance companies for its employees. And the basis amounts and rates are determined by the local regulations. After the employees' retirement, the local labor 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 in profit or loss or capitalized in costs of related assets during the periods when the employees provide services.

(b) Enterprise annuities plan

Beside 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 Company shall prepare the annuities to a certain proportion of employees' total wages, the corresponding expenditures shall be recorded in current profit or loss. Exception for the above mentioned, 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 for employees' voluntary layoffs. The compensation 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.

21. Provisions

As part of its obligations under the respective service concessions, the Group assumes responsibility for the maintenance and resurfacing of the toll roads it operates. Provisions for maintenance and resurfacing are recognized when the Group has a present obligation, and 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 increased amount of the book value of provisions, caused by discount restoration with the time passing by, is recognized as interest expenses.

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

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

22. 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 recognised when the related services have been provided, revenue and total costs can be measured reliably and economic benefits with transactions 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 with reference to the actual construction costs and related management expenses incurred till the end of the reporting period 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 service 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 the 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 concession contracts entered into with the government departments, according to which the Group participates in the development, financing, operations 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.

(6) The Group's revenue from services 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 to the total labor or the proportion of cost provided to the total cost. In case that results of trade-in services cannot be measured reliably, and if the labor cost provided can be recovered, the amount of labor income is recognized according to the amount of labor cost provided and the same amount of the labor cost is carried forwarded. If the labor cost provided cannot be recovered, the labor cost provided is recognized in the current profit or loss and the related revenue will not be recognized.

(7) Advertising revenue is recognised 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 recognised on a straight-line basis over the period of the lease.

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

23. Government grants

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 the amount received or receivable. The non-monetary grant from the government is measured at its fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount.

Government documents stipulate that if the long-term assets are obtained by acquisitions, constructions or other forms, the grants should be recognized as the government grants related to assets. If the government documents are unclear, they should be judged on the basis of the basic conditions necessary for obtaining such grants. if the long-term assets are obtained by acquisitions, constructions or other forms, the grants should be recognized as the government grants related to assets, and the others should be recognized as income-related government grants.

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 or adjusted against the relevant cost; 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 or is adjusted against the relevant cost.

Government grants related to assets are adjusted against the book value of the assets or recognized as deferred income and evenly distributed in profit or loss over the useful period of related assets in a reasonable and systematic way. Government grants measured at their nominal amounts shall be recognized immediately in profit or loss for the current period. If the relevant assets sold, transferred, disposed of or ruined before their useful life ends, the undistributed relevant deferred income shall be transferred to the gain from asset disposal for the current period.

24. Income Tax

The income tax expenses include current income tax and deferred tax. Current and deferred tax expenses or income are recognised in profit or loss for the period, except when they arise from transactions or events that are directly recognised in owners' equity, in which case they are recognised in owners' equity; and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

Current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

At the end of the reporting period, for temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between carrying amount of items that are not recognised as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognised using the balance sheet liability method.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

(1) When the taxable temporary difference arises from: the initial recognition of goodwill or the initial recognition of an asset or liability in transactions that are not business combinations and, at the time of the transaction, affects neither the accounting profit, taxable profit or loss nor deductible losses;

(2) In respect of taxable temporary differences associated with investments in subsidiaries and associates and interests in joint arrangement, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

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

24. Income Tax (continued)

For deductible temporary differences, deductible losses and tax credits that can be carried forward, deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, deductible losses and tax credits can be utilised, except:

(1) When the deductible temporary differences do not arise from business combinations and, at the time of the transaction, affects neither the accounting profit, taxable profit or loss nor deductible losses; and

(2) In respect of deductible temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

At the end of the reporting period, deferred tax assets and liabilities are measured at applicable tax rates according to the requirements of tax laws during the period that the assets are expected to be recovered or the liability expected to be repaid. The recognition of deferred tax assets and liabilities also take the recovery or the repayment terms into account.

At the end of the reporting period, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilised. At the end of the reporting period, the carrying amount of deferred tax assets is reviewed and recognised to the extent that it is probable that available taxable profits in the future will allow the benefit of deferred tax assets to be utilised.

When all of the following conditions are satisfied simultaneously, the deferred income tax assets and deferred income tax liabilities are listed as the net amount after offsetting: the Group have a legal right to settle current tax assets and liabilities on a net basis; the deferred taxes are related to the same tax payer within the Group and the same taxation authority, or related to different tax payers but during the period when each of the significant deferred income tax assets and deferred income tax liabilities are reversed and the tax payer involved intends to settle the current income tax asset and current income tax liability on a net basis, or simultaneously obtain assets and pay off the debts.

25. 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

As 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.

As lessor of an operating lease

Rental 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.

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

26. Dividend distribution

Cash dividends of the Company are recognized as liabilities after being approved at the shareholders' meeting.

27. 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 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 at its highest and best use or by selling it to another market participant that would use the asset at 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.

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) The component's 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; (3) The information on the financial position, operating results and cash flows of the segment 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.

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

29. CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Changes in accounting policies

Change in disclosure of gains or losses on disposal of assets

Pursuant to requirements of *Notice on the Issuance of Revision of General Enterprise Financial Statement by Finance Ministry (Caikuai[2017]30),* the Group shall additionally disclose "Gains/(losses) on disposal of assets" above the line of "Operating profit". For the gains or losses on disposal of non-current assets which originally disclosed in "Non-operating income" or "Non-operating expenses", shall be reclassified in "Gains/(losses) on disposal of assets". The Group restated the comparative amount in the statement of profit or loss and other comprehensive income. The change in accounting policy have had no impact on both the consolidated and the Company's net profit and shareholder's equity.

Change in disclosure of government grants

Pursuant to requirements of *Notice on the Issuance of amendments to the Accounting Standards for Enterprise No.16-Government Grants (Caikuai[2017]15),* the Group shall additionally disclose "Other income" above the line of "Operating profit". For government grants related to the entity's daily operating activities, shall be reclassified from "Non-operating profit" to "Other income". According to the guideline for this standard, government grants of the Group existed before 1 January 2017 should apply to future applicable method. For government grants acquired between 1 January 2017 and the execution date (12 June 2017) of this standard should be adjusted upon the standard requirement. "Other income", "Operating profit" and "Non-operating profit" of 2017 are different from those of 2016, but have had no impact on both the consolidated and the Company's net profit of 2017 and 2016.

Change in disclosure of ceasing operations

Pursuant to requirements of Notice on the Issuance of the *Accounting Standards for Enterprise No.42-Non-current Assets Held-for-sale, Disposal Group and Ceasing Operations (Caikuai[2017]13),* the Group shall additionally disclose "Net profit from continuing operations" under the line of "Net profit".The Group have no "Net profit from ceasing operations" in both 2016 and 2017.

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

29. Changes in accounting policies and accounting estimates (continued)

Changes in accounting policies (continued)

The accounting standards issued and effective in 2018

Revenue

On 5 July 2017, the Ministry of Finance announced the revised "Accounting Standards for Business Enterprises No.14 – Revenue" (the "New Revenue Standard") in replacement of "ASBE No.14 – Revenue" and "ASBE No.15 – Construction Contracts" announced on 15 February 2006 and the "'ASBE No.14 – Revenue' Application Guide" announced on 30 October 2006 and required enterprises listed in both domestic and overseas markets and enterprises listed overseas adopting IFRS or Accounting Standards for Business Enterprises in preparation of their financial statements to adopt the New Revenue Standard with effect from 1 January 2018.

Under the New Revenue Standard, the core principle for the recognition of revenue is that revenue shall be recognized when "the enterprise have fulfilled its contractual obligations, namely, the customer have obtained control of related goods or services". Based on such principle, the recognition of revenue under the New Revenue Standard consists of five steps: 1) identification of customer contracts; 2) identification of individual obligations contained in the contract; 3) determination of the transaction price; 4) allocation of the transaction price to individual obligations; and 5) recognition of revenue based on the individual obligations. The New Revenue Standard have also made specific provisions for certain matters or transactions, for example: contract costs, pledge money, distinctions between principals and agents, sales with return provisions, options for further purchases, intellectual property licenses, repurchase arrangements, prepayments, non-refundable initial costs, etc.

The Group planned to apply the New Revenue Standard from 1 January 2018. In accordance with relevant provisions under the convergence requirement of the New Revenue Standard, the cumulative amount reflecting the impact of the New Revenue Standard shall be adjusted against the opening balances of the retained profit and other related items on the financial statements, while information of the comparative period shall not be adjusted. Based on the Group's assessment, the Group anticipates that the adoption of the New Revenue Standard will not have a material impact on the Group's current contract revenue recognition.

Financial instruments

On 31 March 2017, the Ministry of Finance announced the revised editions of 3 accounting standards relating to financial instruments: the "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments" (Accounting [2017] No. 7) and "Enterprise Accounting Standards No. 23 – Transfer of Financial Assets" (Finance and Accounting [2017] No. 8). On 22 May 2017, the Ministry of Finance announced the revised editions of the "Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments" (Accounting [2017] No. 14). the Ministry of Finance require companies that are listed at the same time both domestically and abroad, as well as companies that are listed overseas and use international financial reporting standards or enterprise accounting standards to prepare financial reports. On 1 January 2018, the New Financial Instrument Standards will be implemented. The standard introduces new regulations for classification and measurement, impairment and hedging accounting. The Group implements the new financial instrument guidelines from 1 January, 2018, and will not repeat the previous period's comparative financial statement data, but will adjust the retained earnings or other comprehensive income on 1 January 2018. The Group has evaluated the impact of the implementation of the new financial instrument standards in 2017. The estimated impact of the classification and measurement and impairment requirements is summarized as follows:

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

29. Changes in accounting policies and accounting estimates (continued)

Changes in accounting policies (continued)

The accounting standards issued and taking effects in 2018 (continued)

Financial instruments (continued)

(1) Classification and Measurement

Upon the adoption of the New Financial Instrument Standards, the classification and measurement of financial assets shall be dependent on the assessment of two factors; the contracted cash flow characteristics of the financial assets and the Group's business model for the management of financial assets. Based on the assessment of the Group, the Group does not expect the adoption of the New Financial Instrument Standards to have a material impact on the classification and measurement of other financial assets, except that financial assets currently classified by the Group as available-for-sale financial assets will be reclassified as financial assets at fair value through current profit or loss or financial assets at fair value through other comprehensive income. The Group is in the process of assessing the impact of the fair value of such investments and the aforesaid changes in the consolidated financial statement.

(2) Impairment

The New Financial Instrument Standards requires that the impairment of financial assets classified at amortized cost, debt instruments measured at fair value through other comprehensive income, contract assets defined under "ASBE No. 14 — Revenue", the loan promise except for financial liabilities measured at fair value through profit or loss issued by the enterprise and the financial warranty contract shall be recognized based on expected credit losses either on a 12-month basis or a lifetime basis. Based on the assessment of the Group, the adoption of the New Financial Instrument Standards will not have any material impact on the bad debt provisions for the Group's trade receivable.

Changes in accounting estimates

No changes in accounting estimates of the Group for the year.

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

30. Significant accounting estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the presentation and disclosure of income, expenses, assets and liabilities, and the disclosure of contingent liabilities on the balance sheet date. However, the results of these assumptions and estimated uncertainties may cause significant adjustments to the carrying amount of future assets or liabilities that are affected.

Estimation uncertainty

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

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

As stated in Note III.22 (2), the Group recognised revenue from construction management services using the percentage of completion method when the outcome of the construction management services can be estimated reliably.

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

If the total budget for the project and project costs as well as the actual construction management service costs is different from management's current estimates, the construction management service income and costs will be changed prospectively.

(2) Amortisation of concession intangible assets

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

The directors perform periodic assessment of the total projected traffic volume. The Group will appoint an independent professional traffic consultant to perform independent professional traffic studies 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 perform independent traffic volume study respectively on Changsha Ring Road, Wuhuang Expressway and Yichang Expressway in 2015, 2016 and 2017, 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 toll 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 the amortisation method of the Three Expressways as concession intangible assets. The amortisation is still based on expected traffic volume during the concession periods.

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

30. Significant accounting estimates and judgments (continued)

Estimation uncertainty (continued)

(3) Provisions for maintenance/resurfacing obligations

As stated at Note III.21, the Group has contractual obligations under 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. During the ordinary course of business, the ultimate tax determinations of some transactions and events are indeterminate. Significant judgment is required from the Group in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group recognizes deferred tax assets based on estimates that it is probable to generate enough taxable income 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 income 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) Impairment of financial assets

The Group assesses at the end of the reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment tests should be executed when there is any indication that the carrying amount is not recoverable. An impairment exists if the carrying amount of the financial asset or the group of financial assets overtops its recoverable amount, the higher one of the fair value net of disposal costs and the present value of the estimated future cash flow. The net amount of fair value minus disposal costs is determined by reference to the agreement price or observable market price of similar assets in the fair trade. When estimating the present value of future cash flows, management must estimate the expected future cash flows of the asset or assets group and select the appropriate discount rate to determine the present value of future cash flows.

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

30. Significant accounting estimates and judgments (continued)

Estimation uncertainty (continued)

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

During the year 2015, the Company's wholly-owned subsidiary Mei Wah Industrial (Hong Kong) Limited ("Mei Wah Company") purchased a 10% equity interest in Shenzhen Qinglong Expressway Co., Ltd. ("Qinglong Company") indirectly by purchasing a 100% equity interest in Fameluxe Investment at a cash consideration of RMB280 million. After completion of the transaction, the Group will directly and indirectly hold an aggregate of a 50% equity interest in Qinglong Company and will obtain the control over Qinglong Company.

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

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 which was the former holder of Fameluxe Investment and Huayu Company and its actual controller, Mr. Chen Yangnan signed a Supplemental Agreement to extend the original contract period from 31 December 2016 to 31 December 2018. The conditions that would trigger an adjustment to the consideration were changed to: 1) Shenzhen Government entering into an adjustment fee agreement with Qinglong Company before 31 December 2018 with the comparable price calculated based on the arrangement and the purchase price from the share transfer agreement lower than the preliminary consideration; 2) On or before 31 December 2018, the aforesaid adjustment arrangement not yet being entered into and the relevant government authorities failing to grant the approval for the extension application of Shuiguan Expressway, or if the extension period of concession granted under the approval being shorter than 5 years.The Company made the best estimate based on the available information and data, and considered that Qinglong Company would sign the adjustment fee agreement before 31 December 2018 and the purchasing price under the agreement would be equal to RMB266 million and lower than the initial consideration as calculated based on the terms set by the share trading agreement, and considered that Qinglong Company was likely to obtain approval for extension of 4 years before 31 December 2018, and accordingly, the purchase price of the 10% equity remained at RMB266 million.

(7) Impairment of concession intangible assets

The estimates on the net realizable value should be made when considering the impairment of the concession intangible assets.

When considering the impairment of the concession intangible assets, the management of the Company had calculated the future cash flows 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. Under the previous assumptions, the Group's management considered that a concession intangible asset has a recoverable amount higher than the book value, and therefore the impairment of a concession intangible asset is not necessary during the 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")	Real estate development income	11%
VAT	Entrusted management income revenue from businesses other than expressway toll road (from 1 May 2016)	6%
VAT	Taxable advertisement income	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	Entrusted management income and revenue from businesses other than expressway toll road (from 1 January 2016 to 30 April 2016)	5%
Business tax	Revenue from expressway toll road business (from 1 January 2016 to 30 April 2016)	3%
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 gain on the transfer of real estate	Four level progressive rates, 30%-60%

The different CIT rate used by the Company's subsidiary is disclosed as follows:

The Company	Applicable tax rate
Fameluxe Company [1]	16.5%

(1) Fameluxe Company is incorporated in Hong Kong with an applicable income tax rate of 16.5%.

2. Tax preference

In 2017, there was no tax preference that would have the significant impact on the Group.

3. Others

According to Guoshuihan (2010) No.651, "Reply from the State Administration of Taxation concerning about the recognition as resident enterprises of related overseas enterprises of Shenzhen Expressway Company Limited" issued by the 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, which came into effect in 2008.

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash at banks and on hand

Item	31 December 2017	31 December 2016
Cash on hand	**10,703,167.75**	11,843,113.81
Bank deposits	**2,510,562,661.20**	5,652,054,726.98
Total	**2,521,265,828.95**	5,663,897,840.79
Including: cash abroad	**125,680,683.47**	27,938,618.48

The Company is engaged to manage highway construction projects. As at 31 December 2017, project funds retained for construction management were RMB834,757,405.73 (31 December 2016: RMB1,420,258,174.78). 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.51 (2)).

Current deposits earn interest at the rate based on current deposit interest rates. Maturities of short-term time deposits range from 7 days to 12 months depending on the fund arrangement of the Group. Time deposits earn interest at the relevant rates with different maturities.

2. Financial assets measured at fair value through profit or loss

Item	31 December 2017	31 December 2016
Financial assets designated as at fair value and whose changes are recorded in the current profit or loss/(Liability are listed with"-")	**-71,371,857.30**	74,991,317.77
Including: derivative instruments investment/ (Liability are listed with"-")	**-71,371,857.30**	74,991,317.77
Total	**-71,371,857.30**	74,991,317.77

The derivative financial assets/liabilities measured at fair value through profit or loss are foreign exchange swap and foreign exchange forward contracts. On 18 July 2016, the Company issued a 5-year long-term bonds whose face value was 300,000,000.00 United States Dollar ("USD"). On 27 July 2016, the Company signed a USD155,000,000.00 and a USD140,000,000.00 foreign exchange swaps with China Merchants Bank and CITIC Bank, which were matured on 27 July 2017 and 31 July 2017 respectively.The Company signed USD100,000,000.00 and USD50,000,000.00 foreign exchange swap with China Merchants Bank and China CITIC Bank in July 2017 respectively, and the swaps will expire on 27 July 2018 and 31 July 2018. On 25 July 2017 the Company signed a USD50,000,000.00 foreign exchange forward and foreign exchange capped forward of USD100,000,000.00 due to mature on 25 July 2018 with Bank of China. For the year ended 31 December 2017, a fair value loss of RMB146,363,175.07 was recognized(For the year ended 31 December 2016, a fair value profit of RMB74,991,317.77 was recognized) (Note V.42).

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Accounts receivable

Trade receivables are interest free with a credit period of one to six months in general.

(1) Accounts receivable are analysed by category as follows:

	31 December 2017					31 December 2016				
	Ending balance		Provision for bad debts			Ending balance		Provision for bad debts		
Category	Amount	% of total balance	Amount	% of total balance	Book value	Amount	% of total balance	Amount	% of total balance	Book value
Individually significant and provision separately assessed	-	-	-	-	-	-	-	-	-	-
Receivables that are subject to provision by group with similar credit risk characteristics	215,988,498.44	100.00	450,000.00	0.21	215,538,498.44	545,051,289.43	100.00	-	-	545,051,289.43
Group 1	134,687,550.69	62.36	-	-	134,687,550.69	475,473,402.86	87.23	-	-	475,473,402.86
Group 2	81,300,947.75	37.64	450,000.00	0.55	80,850,947.75	69,577,886.57	12.77	-	-	69,577,886.57
Individually not significant but provision separately assessed	-	-	-	-	-	-	-	-	-	-
Total	215,988,498.44	100.00	450,000.00	0.21	215,538,498.44	545,051,289.43	100.00	-	/	545,051,289.43

An aging analysis of the accounts receivable in Group 2 is as follows:

	31 December 2017			31 December 2016		
Aging	Accounts receivable	Provision for bad debts	% of total balance	Accounts receivable	Provision for bad debts	% of total balance
Within 1 year	**79,994,316.20**	**–**	**–**	69,127,886.57	–	–
1 to 2 years	**856,631.55**	**–**	**–**	450,000.00	–	–
2 to 3 years	**450,000.00**	**450,000.00**	**100%**	–	–	–
Over 3 years	**–**	**–**	**–**	–	–	–
Total	**81,300,947.75**	**450,000.00**	**–**	69,577,886.57	–	–

(2) Accumulated accounts receivable from the five largest debtors:

	Balance	Provision for bad debts	% of total balance
Total accumulated accounts receivable from the five largest debtors at 31 December 2017	**138,760,608.16**	**–**	**64.24%**
Total accumulated accounts receivable from the five largest debtors at 31 December 2016	478,874,887.31	–	87.86%

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Accounts receivable (continued)

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

	31 December 2017	31 December 2016
Within 1 year	**149,539,472.05**	110,646,743.13
1 to 2 years	**23,536,166.98**	59,731,559.61
2 to 3 years	**34,845,478.28**	258,731,262.15
Over 3 years	**8,067,381.13**	115,941,724.54
Sub-total	**215,988,498.44**	545,051,289.43
Less:Provision for bad debts	**450,000.00**	–
Total	**215,538,498.44**	545,051,289.43

(4) The changes in the provision of bad debt are as below:

	At 1 January	Additions	Reversal	Write-off	Cancel after verification	At 31 December
2017	**–**	**450,000.00**	**–**	**–**	**–**	**450,000.00**
2016	–	–	–	–	–	–

4. Advances to suppliers

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

	31 December 2017	31 December 2016
Prepaid land-transferring fund	**286,303,642.03**	226,901,955.83
Other	**25,599,395.90**	19,083,711.30
Total	**311,903,037.93**	245,985,667.13

As at 31 December 2017, 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 an area of approximately 794.18 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 the open market, develop the land on its own or through cooperation with others to realize the value of the land.

(2) The aging analysis of advances to suppliers is as below:

	31 December 2017		31 December 2016	
Aging	Amount	% of total balance	Amount	% of total balance
Within 1 year	**79,037,423.00**	**25.34**	103,444,593.16	42.05
1 to 2 years	**91,867,638.56**	**29.45**	58,863,155.27	23.93
2 to 3 years	**57,415,057.67**	**18.41**	83,565,125.70	33.97
Over 3 years	**83,582,918.70**	**26.80**	112,793.00	0.05
Total	**311,903,037.93**	**100.00**	245,985,667.13	100.00

As at 31 December 2017, advances to suppliers over 1 year mainly comprised prepayments for acquisition of land use rights and construction payment. The advances to suppliers have not 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.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Advances to suppliers (continued)

(3) Accumulated advances to the five largest suppliers

Total accumulated advances to the five largest suppliers	Amount	% of total balance
31 December 2017	**295,105,055.31**	**94.61%**
31 December 2016	233,892,495.67	95.08%

5. Other receivables

(1) Other receivables are analysed by category as follows:

Item	31 December 2017					31 December 2016				
	Ending balance		Provision for bad debts			Ending balance		Provision for bad debts		
	Amount	% of total balance	Amount	% of total balance	Book value	Amount	% of total balance	Amount	% of total balance	Book value
Individually significant and provision separately assessed	-	-	-	-	-	-	-	-	-	-
Receivables that are subject to provision by group with similar credit risk characteristics	170,155,612.51	100.00	-	-	170,155,612.51	99,297,652.11	100.00	-	-	99,297,652.11
Group 1	30,305,433.29	17.81	-	-	30,305,433.29	81,385,935.65	81.96	-	-	81,385,935.65
Group 2	139,850,179.22	82.19	-	-	139,850,179.22	17,911,716.46	18.04	-	-	17,911,716.46
Individually not significant but provision separately assessed	-	-	-	-	-	-	-	-	-	-
Total	**170,155,612.51**	**100.00**	-	/	**170,155,612.51**	99,297,652.11	100.00	-	/	99,297,652.11

An aged analysis of the other receivables in Group 2 is as follows:

Aging	31 December 2017			31 December 2016		
	Accounts receivable	Provision for bad debts	% of total balance	Accounts receivable	Provision for bad debts	% of total balance
Within 1 year	**135,585,651.29**	–	–	14,145,835.77	–	–
1 to 2 years	**2,140,834.62**	–	–	1,136,944.34	–	–
2 to 3 years	**1,080,967.86**	–	–	2,628,936.35	–	–
Over 3 years	**1,042,725.45**	–	–	–	–	–
Total	**139,850,179.22**	–	–	17,911,716.46	–	–

The nature of other receivables from third party with an age of more than 3 years should be the deposit and quality assurance. According to the Group's accounting policy III.10(2), no provision for bad debts should be made for this type of receivables.

Notes to Financial Statements

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other receivables (continued)

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

Nature	31 December 2017	31 December 2016
Advances	**133,439,169.42**	56,671,625.89
The multi-junction tax of the government compensation of Meiguan Expressway Extension	**27,103,668.81**	–
Administrative imprest	**3,338,663.37**	3,264,894.25
Staff advances	**1,665,864.82**	2,843,026.52
Refund of land property changes receivable	**–**	26,451,077.06
Guarantee deposit for equity auction	**–**	5,000,000.00
Others	**4,608,246.09**	5,067,028.39
Total	**170,155,612.51**	99,297,652.11

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

31 December 2017

Company name	Nature	31 December 2017	Aging	% of total balance	Provision for bad debts
Shenzhen-Shanwei Special Cooperation Zone Development and Construction Co., Ltd.	Receivables in relation to the advances of the toll adjustment and newly built support facility for the comprehensive management project of Nanmen River	**129,777,633.41**	Within 2 years	76.27	–
Tax Authorities	The multi-junction tax of the government compensation	**27,103,668.81**	Within 1 year	15.93	–
Nanguang special inspection station	Advances of water and electricity expenses	**1,187,778.47**	Over 3 years	0.70	–
Sun Hung Kai Real Estate Agency Co., Ltd.	Deposit	**880,004.09**	Within 3 years	0.52	–
Jiangsheng Real Estate Development (Shenzhen) Co., Ltd.	Premium for lease	**829,074.00**	2 to 3 year	0.49	–
Total	/	**159,778,158.78**	/	93.91	–

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other receivables (continued)

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

31 December 2016

Company name	Nature	31 December 2016	Aging	% of total balance	Provision for bad debts
The Government of Longhua District, Shenzhen	Receivables in relation to the advances of the toll adjustment and newly built support facility of Meiguan Expressway	54,353,901.07	Within 1 year	54.74	–
The Government of Longli County, Guizhou Province	Refund of land property changes receivable	26,451,077.06	Within 1 year	26.64	–
Shenzhen Ping An Innovation Capital Investment Co., Ltd ("Ping An Innovation")	Guarantee money for transfer of shares	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 years	1.20	
Sun Hung Kai Real Estate Agency Co., Ltd.	Deposit	941,695.97	1 to 2 years	0.94	–
Total	/	87,934,452.57	/	88.56	–

(4) The aging of other receivables according to the recognition date is analysed below:

	31 December 2017	31 December 2016
Within 1 year	**162,854,912.14**	92,572,648.95
1 to 2 years	**2,367,884.62**	1,136,944.34
2 to 3 years	**1,080,967.86**	3,969,280.35
Over 3 years	**3,851,847.92**	1,618,778.47
Total	**170,155,612.54**	99,297,652.11

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Inventories

(1) Inventory classification

	31 December 2017			31 December 2016		
Item	Carrying amount	Allowance for impairment	Net book amount	Carrying amount	Allowance for impairment	Net book amount
Properties held for development (a)	295,767,370.60	–	295,767,370.60	408,182,694.46	–	408,182,694.46
Properties under development (b)	211,699,556.05	–	211,699,556.05	176,361,556.55	–	176,361,556.55
Properties held for sale (c)	87,090,276.78	–	87,090,276.78	74,804,315.38	–	74,804,315.38
Toll tickets	3,861,116.14	–	3,861,116.14	2,843,991.28	–	2,843,991.28
Maintenance and repair parts	540,875.01	–	540,875.01	619,479.01	–	619,479.01
Low value consumables	295,341.48	–	295,341.48	301,484.83	–	301,484.83
Total	599,254,536.06	–	599,254,536.06	663,113,521.51	–	663,113,521.51

(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 the land planned to be developed under Phase II to Phase V of "Interlaken Town Project".

(b) Properties under development

Name of Project	Started time	Estimated completion date	The Amount of Estimated investment	Ending balance on 31 December 2017	Opening Balance on 1 January 2017
Phase I Stage II of "Interlaken Town Project"	April 2016	Completed	260,000,000.00	–	103,741,414.11
Phase II Stage I of "Interlaken Town Project"	May 2017	May 2019	450,000,000.00	132,983,866.58	–
Public area	December 2015	–	–	78,715,689.47	72,620,142.44
Total	–	–	710,000,000.00	211,699,556.05	176,361,556.55

(c) The first phase of Phase I of Phase I of Interlaken Town completion area of 38,768.63 Square meter in 2016 with a delivery of 37,195.49 square meters in completed area, of which 7,876.75 square meters was carried forward for the year and the remaining salable area of 1573.14 square meters. The second phase of Phase I of Phase I of Interlaken Town achieved a total completion area of 37,851.56 square meters in 2017 with a delivery of 26,526.68 Square meter in completed area and the remaining salable area of 11,324.88 square meters.

(2) Borrowing cost capitalization

During the period, the capitalized borrowing cost on properties under development for the Group was RMB755,277.56. The capitalization ratio used to determine the capitalized amount was 4.35%. (2016: the capitalized borrowing cost was RMB2,850,853.83 and the capitalization ratio was 4.51%).

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Current portion of non-current assets

Item	31 December 2017	31 December 2016
Receivables from Longli BT Project (Note V.11(1)(b))	**79,908,301.90**	103,789,895.59
Receivables due from the Shenzhen Government in relation to the compensation of the toll adjustment of Meiguan Expressway (Note V.11(1)(c))	**–**	20,379,244.25
Total	**79,908,301.90**	124,169,139.84

8. Other current assets

Item	31 December 2017	31 December 2016
Prepaid tax	**25,996,264.62**	14,329,427.09
Pending deduction of input value-added tax	**13,370,726.88**	–
Financial products	**–**	550,000,000.00
Total	**39,366,991.50**	564,329,427.09

As at 31 December 2017, the Group had no financial products. As at 31 December 2016, financial products recognized as other current assets including Ping An Bank capital protected wealth management products of RMB150 million, the National Development Bank capital protected wealth management products of RMB100 million, Zhuhai Huarun bank capital protected wealth management products of RMB100 million and Huaxing bank capital protected wealth management products of RMB200 million. The terms of such financial products were less than half a year. For the year ended 31 December 2017, the Group had redeemed such financial products.

9. LONG-TERM PREPAYMENTS

Item	31 December 2017	31 December 2016
Construction prepayments from the Shenzhen Outer Ring Expressway Investment Company Limited (Outer Ring Company)	**323,666,637.88**	181,368,018.86
Prepayments for resettlement	**3,329,760.00**	3,329,760.00
Total	**326,996,397.88**	184,697,778.86

At 31 December 2017, the Outer Ring Company had prepaid the construction funds for Baoan District and Longgang District in Outer Ring Expressway amounting to RMB323,666,637.88. The prepayments will be settled according to the progress of the construction.

Notes to Financial Statements

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Available-for-sale financial assets

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

Item	31 December 2017			31 December 2016		
	Carrying amount	Allowance for impairment	Net book amount	Carrying amount	Allowance for impairment	Net book amount
Available-for-sale equity instruments:						
Measured at cost	106,557,169.78	–	106,557,169.78	43,490,000.00	–	43,490,000.00
Total	**106,557,169.78**	**–**	**106,557,169.78**	43,490,000.00	–	43,490,000.00

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

Investee	Carrying amount				Allowance for impairment				Share holding (%)	Cash dividends during the period
	Opening balance	Additional during the period	Deduction during the period	Closing balance	Opening balance	Additional during the period	Deduction during the period	Closing balance		
Guangdong United Electronic Services Company Limited ("United Electronic Company")	43,490,000.00	–	–	43,490,000.00	–	–	–	–	12.86	–
Shenzhen Water Planning&Design Institute Company Limited (a)	–	63,067,169.78	–	63,067,169.78	–	–	–	–	15.00	–
Total	43,490,000.00	63,067,169.78	–	106,557,169.78	–	–	–	–	–	–

(a) On 13 July 2017, Shenzhen Expressway Company Limited signed the agreement of capital expansion with Shenzhen Investment Holdings Company Limited ("Shenzhen Investment Holdings Company"), Shenzhen Water Planning&Design Institute Company Limited ("Water Planning&Design Institute Company") and other investors. According to this agreement, Shenzhen Expressway Company decided to increase the investment to the Water Planning&Design Institute Company of an amount of RMB61.89 million, which is 15% of the share capital of the Water Planning&Design Institute Company after the increase. The transaction was completed at the price of RMB10.315 per share. Shenzhen Expressway Company made the full payment on 19 July 2017. The expense directly related to the transaction was RMB1,177,169.78. On 28 August, the Water Planning&Design Institute Company completed the business registration of change.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Long-term receivables

(1) General information:

Item	31 December 2017 Carrying amount	31 December 2017 Bad debt provision	31 December 2017 Net book amount	31 December 2016 Carrying amount	31 December 2016 Bad debt provision	31 December 2016 Net book amount	Range of discount rate
Construction revenue receivables from Yanjiang Phase I (a)	**241,868,601.95**	**-**	**241,868,601.95**	-	-	-	4.5%
Due from Guizhou Longli County Government in relation to the project management services provided to Longli BT Project (b)	**79,908,301.90**	**-**	**79,908,301.90**	103,789,895.59	-	103,789,895.59	9%
Receivables from the Shenzhen Government in relation to the compensation resulted from the toll adjustment of Meiguan Expressway (c)	**-**	**-**	**-**	20,379,244.25	-	20,379,244.25	4.75%-6.15%
Compensation interest receivable due from Shenzhen Government related to toll adjustment of Yanba, Yanpai and Nanguang ("Three Expressways")	**12,019,232.87**	**-**	**12,019,232.87**	12,019,232.87	-	12,019,232.87	-
Receivable on Billboard quality deposits	**4,500,000.00**	**-**	**4,500,000.00**	4,500,000.00	-	4,500,000.00	-
Sub-total	**338,296,136.72**	**-**	**338,296,136.72**	140,688,372.71	-	140,688,372.71	/
Less: Current portion	**79,908,301.90**	**-**	**79,908,301.90**	124,169,139.84	-	124,169,139.84	/
Total	**258,387,834.82**	**-**	**258,387,834.82**	16,519,232.87	-	16,519,232.87	/

(a) According to the minutes of the meeting on investment and financing of the second phase project of Shenzhen Coastal expressway, Phase II of Coastal expressway will be planned as one project along with phase I of the Yanjiang expressway and be settled after completion. As of 31 December 2017, the revenue from the construction along the Coastal phase I amounting to RMB241,868,601.95, which is expected to be recovered in installments in 2020 and 2021. Discounted interest expense confirmed in current year is RMB39,387,094.44.

(b) The Longli BT project entrusted to Guishen Company was completed at the end of 2014. As at 31 December 2017, accounts receivable due from Longli BT project amounting to RMB79,908,301.90, was expected to be received within one year. For the current period, RMB7,261,720.02 (the same period in 2016: RMB9,604,158.35) was recognized as interest income based on the effective interest method.

(c) The Company and 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 the Adjustment Agreement, the section of Meiguan Expressway from Meilin to Guanlan with a distance measured at approximately 13.8 km was toll-free from the midnight of 31 March 2014. The People's Government of Shenzhen undertook to make cash compensation to the Company. In the current year, according to the submission of the audit report issued by the Shenzhen Municipal Government Investment Audit Bureau, the compensation and interest income for the expansion of the Meiguan adjusted fee items was reversed by RMB53,628,602.05. Correspondingly, the balance of long-term receivables was reversed by RMB20,379,244.25 and other payables amounting to RMB33,249,357.80 was recognised.

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Long-term equity investments

2017

		Current period movement							
Investee	31 December 2016	Current period additions	Investment income/loss recognized under equity pick-up method	Cash dividend declared	Investment cost recovered	Others	31 December 2017	Share holding (%)	Impairment provided in the current period
Joint ventures									
Shenchang Company (1)	166,160,042.14	-	7,079,749.78	-	-11,058,312.73	-162,181,479.19	-	51	-
Sub-total	166,160,042.14	-	7,079,749.78	-	-11,058,312.73	-162,181,479.19	-	/	-
Associates									
Shenzhen Expressway Engineering Consulting Company ("Consulting Company")	44,704,298.83	-	10,039,887.77	-1,260,000.00	-	-	53,484,186.60	24	-
Shenzhen Huayu expressway investment company ("Huayu" company)	52,745,170.55	-	8,233,601.95	-8,233,601.95	-7,766,398.05	-	44,978,772.50	40	-
Guangdong Jiangzhong Expressway Company Limited ("Jiangzhong Company")	303,593,845.96	-	22,111,131.20	-18,402,818.50	-	-	307,302,158.66	25	-
Nanjing Yangtze River Third Bridge Company Limited ("Nanjing Third Bridge Company")	301,541,842.94	-	44,075,730.38	-44,075,730.38	-15,225,605.19	-	286,316,237.75	25	-
Guangdong Yangmao Expressway Company Limited ("Yangmao Company")	291,675,894.82	-	84,064,090.85	-38,313,761.00	-	-	337,426,224.67	25	-
Guangzhou Western Second Ring Expressway Company Limited ("GZ W2 Company")	248,169,322.23	-	49,124,097.12	-42,646,300.00	-	-	254,647,119.35	25	-
Yunfu Guangyun Expressway Company Limited ("Guangyun Company")	81,305,717.98	-	38,578,834.97	-38,578,834.97	-6,421,165.03	-	74,884,552.95	30	-
Guizhou Hengtongli Property Company Limited ("Guizhou Hengtongli")	42,265,929.51	-	-	-	-	-	42,265,929.51	49	-
Shenzhen International United Land Company Limited ("Unit Land Company")	2,445,503,789.24	-	-349,374.21	-	-	-	2,445,154,415.03	49	-
Bank of Guizhou Co., Limited ("Bank of Guizhou") (2)	725,615,651.97	-	100,300,859.14	-29,085,863.01	-	10,036,584.04	806,867,232.14	3.78	-
Chongqing Derun Environment Co., Limited ("Derun Environment") (3)	-	4,415,582,466.80	125,957,501.97	-119,600,000.00	-	-11,014,517.02	4,410,925,451.75	20	-
Sub-total	4,537,121,464.03	4,415,582,466.80	482,136,361.14	-340,196,909.81	-29,413,168.27	-977,932.98	9,064,252,280.91	/	-
Total	4,703,281,506.17	4,415,582,466.80	489,216,110.92	-340,196,909.81	-40,471,481.00	-163,159,412.17	9,064,252,280.91	/	-

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Long-term equity investments (continued)

2016

Investee	31 December 2015	Current period movement: Current period Additions	Additional injection	Investment income/loss recognized under equity method	Cash dividend declared	Investment cost recovered	Provision for impairment	Others	31 December 2016	Share holding (%)	Impairment provided in the current period
Joint ventures											
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")	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	-	43,747,176.00	-	957,122.83	-	-	-	-	44,704,298.83	24	-
Huayu Company	47,964,606.61	-	-	4,780,563.94	-	-	-	-	52,745,170.55	40	-
Jiangzhong Company	298,919,348.04	-	-	16,671,997.92	-11,997,500.00	-	-	-	303,593,845.96	25	-
Nanjing Third Bridge Company	297,424,178.00	-	-	36,217,363.86	-32,099,698.92	-	-	-	301,541,842.94	25	-
Yangmao Company	288,402,269.13	-	-	79,994,782.70	-76,721,157.01	-	-	-	291,675,894.82	25	-
GZ W2 Company	239,036,185.76	-	-	34,133,136.47	-25,000,000.00	-	-	-	248,169,322.23	25	-
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	-	42,265,929.51	-	-	-	-	-	-	42,265,929.51	49	-
Unit Land Company	550,085,552.14	-	1,896,300,000.00	-881,762.90	-	-	-	-	2,445,503,789.24	49	-
Bank of Guizhou (2)	-	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	/	-

(1) Shenchang Company's registered and main operated locations are in China. As at 1 April 2017, Shenchang Company became a subsidiary of the Company. Please refer to Note VI.1.

(2) On 17 June 2016, in accordance with the approval and authorisation of the general meeting of Guizhou Bank, the Company got a place in board of directors of Bank of Guizhou. Because of Bank of Guizhou's decentralized equity, the Company became the fourth largest shareholder of Guizhou Bank and had significant influence on its operation. Therefore the Company accounted for Guizhou Bank as an associate under the equity method. In 2017, the third party company made capital injections to Guizhou Bank. The board remain the same while the Company's shareholding of Guizhou Bank decreased from 4.41% to 3.78%, and the Company still keeps the place of the fourth largest shareholder of Guizhou Bank. The Company increased its capital reserve by RMB16,465,915.52. Additionally, an adjustment of decreasing the other comprehensive income by RMB6,429,331.48 was made due to the other comprehensive loss of approximately in Guizhou Bank.

(3) On 25 May 2017, the Company's wholly-owned subsidiary Shenzhen Expressway Environment Construction Management Co., LTD ("Environment Company") signed a property transaction contract with Chongqing Water Property Management Co., LTD ("Water Property") pursuant to which Environment Company purchase 20% of equity of Derun Environment at a consideration of RMB4,408,644,500.00. On 6 June 2017, the transaction was completed by paying a transaction fee and stamp tax of RMB6,937,966.80, and the equity was transferred on the same day.As a result of the transfer, Derun Environment became an associate of the Company and is accounted for using equity method. In addition, an adjustment of increasing the other comprehensive income by RMB1,603,995.68 was due to the movement of the other comprehensive income in Derun Environment. An adjustment of decreasing capital reserve by RMB12,618,512.70 was due to the movement of the capital reserve in Derun Environment.

(4) The percentage of ownership interest of the associated enterprise holds is the same as the percentage of its voting power.

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Investment Properties

Subsequently measured at cost:

Item	31 December 2017	31 December 2016
1. Cost		
Balance c/f	**18,180,000.00**	18,180,000.00
Balance b/d	**18,180,000.00**	18,180,000.00
2. Accumulated depreciation		
Balance c/f	**4,653,575.00**	4,077,875.00
Current period additions	**575,700.00**	575,700.00
-Addition	**575,700.00**	575,700.00
Balance b/d	**5,229,275.00**	4,653,575.00
3. Carrying amount		
Balance c/f	**12,950,725.00**	13,526,425.00
Balance b/d	**13,526,425.00**	14,102,125.00

The investment properties are leased to the third parties in the form of operating lease.

* The Group's investment properties are all located at the mainland of China and held in the form of mid-term lease.

On 31 December 2017, the investment without certificates of ownership are listed as follows:

	Carrying amount	Reason for certificates of ownership not available
The parking lot beneath the Jiangsu Building	12,950,725.00	All the certificates of ownership of the parking lots in Shenzhen are not available

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Fixed assets

(1) Fixed asset movement

2017

Item	Buildings	Traffic equipment	Motor vehicles	Office and other equipment	Total
1. Cost					
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
Current period additions	23,599,812.51	47,528,487.67	2,328,972.94	12,836,507.77	86,293,780.89
-Purchase	643,699.77	4,545,731.60	893,773.62	6,074,701.08	12,157,906.07
-Construction in progress	1,215,066.93	8,366,244.02	–	196,317.00	9,777,627.95
-Addition from business combinations involving enterprises not under common control	21,741,045.81	34,616,512.05	1,435,199.32	6,565,489.69	64,358,246.87
Current period reductions	157,251.20	4,921,325.19	2,145,258.10	4,977,264.47	12,201,098.96
-Other disposal	157,251.20	4,921,325.19	2,145,258.10	4,977,264.47	12,201,098.96
31 December 2017	740,394,665.54	1,373,527,532.10	29,064,626.96	53,050,920.97	2,196,037,745.57
2. Accumulated depreciation					
31 December 2016	227,429,116.76	814,243,704.37	21,951,848.78	30,567,279.72	1,094,191,949.63
Current period additions	34,231,089.29	111,524,593.34	2,616,725.29	4,731,169.68	153,103,577.60
-Addition	34,231,089.29	111,524,593.34	2,616,725.29	4,731,169.68	153,103,577.60
Current period reductions	133,101.04	2,161,142.12	2,027,192.04	4,616,323.45	8,937,758.65
-Other reductions	133,101.04	2,161,142.12	2,027,192.04	4,616,323.45	8,937,758.65
31 December 2017	261,527,105.01	923,607,155.59	22,541,382.03	30,682,125.95	1,238,357,768.58
3. Net book value					
31 December 2017	478,867,560.53	449,920,376.51	6,523,244.93	22,368,795.02	957,679,976.99
31 December 2016	489,522,987.47	516,676,665.25	6,929,063.34	14,624,397.95	1,027,753,114.01

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Fixed assets (continued)

(1) Fixed asset movement (continued)

2016

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
-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 of subsidiaries	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 of subsidiaries	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

On 31 December 2017, the fixed assets without certificates of ownership are listed as follows:

Item	Carrying amount	Reason for lacking certificates of ownership
Buildings	363,574,703.06	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.

During the period, depreciation expenses amounting to RMB147,867,235.74 were charged to cost of services (the same period in 2016: RMB152,375,094.07), and depreciation expenses amounting to RMB5,204,715.68 were charged to general and administrative expenses (the same period in 2016: RMB5,910,801.18).

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Construction in progress

(1) General information of construction in progress

Item	31 December 2017 Carrying amount	31 December 2017 Impairment	31 December 2017 Net book amount	31 December 2016 Carrying amount	31 December 2016 Impairment	31 December 2016 Net book amount
Nation-wide ETC toll interconnection project	266,000.00	–	266,000.00	2,142,889.98	–	2,142,889.98
Billboard and light box projects	670,830.18	–	670,830.18	393,471.69	–	393,471.69
Maintenance planning research and basic database construction project for the maintenance of the information platform	1,743,754.46	–	1,743,754.46	1,743,754.46	–	1,743,754.46
Toll station expansion project	7,731,870.05	–	7,731,870.05	1,276,766.00	–	1,276,766.00
First-class weighting equipments project	3,062,567.16	–	3,062,567.16	–	–	–
Fire control system updating project	2,040,276.84	–	2,040,276.84	–	–	–
Toll station weighting equipment movement projects	1,705,350.22	–	1,705,350.22	–	–	–
Video monitoring project	3,612,066.01	–	3,612,066.01	–	–	–
Electromechanical project	–	–	–	3,471,105.22	–	3,471,105.22
Others	8,329,672.95	–	8,329,672.95	4,547,510.46	–	4,547,510.46
Total	29,162,387.87	–	29,162,387.87	13,575,497.81	–	13,575,497.81

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

2017

Item	Budget amount	31 December 2016	Current period additions	Transfer to fixed assets	Other reductions in Current period	31 December 2017	The proportion of the current period additions to total budget (%)	Progress of construction	Interests capitalized	Source of funds
Nation-wide ETC toll interconnection project	53 million	2,142,889.98	–	1,355,718.54	521,171.44	266,000.00	–	In progress	–	Self-owned funds
Billboard and light box projects	10 million	393,471.69	448,018.86	170,660.37	–	670,830.18	3.93	In progress	–	Self-owned funds
Maintenance planning research and basic database construction project for the maintenance of the information platform construction project	2.56 million	1,743,754.46	–	–	–	1,743,754.46	–	In progress	–	Self-owned funds
Toll station expansion project	9.7 million	1,276,766.00	6,455,104.05	–	–	7,731,870.05	66.55	In progress	–	Self-owned funds
First-class weighting equipments project	3.33 million	–	3,062,567.16	–	–	3,062,567.16	91.89	In progress	–	Self-owned funds
Fire control system updating project	2.06 million	–	2,040,276.84	–	–	2,040,276.84	99.02	In progress	–	Self-owned funds
Toll station weighting equipments movement projects	2.1 million	–	1,705,350.22	–	–	1,705,350.22	81.19	In progress	–	Self-owned funds
Video monitoring project	3.62 million	–	3,612,066.01	–	–	3,612,066.01	99.78	In progress	–	Self-owned funds
Electromechanical project	5.2 million	3,471,105.22	–	3,471,105.22	–	–	–	Completed	–	Self-owned funds
Others (a)		4,547,510.46	8,564,976.51	4,780,143.82	2,670.20	8,329,672.95	–	In progress	–	Self-owned funds
Total		13,575,497.81	25,888,359.65	9,777,627.95	523,841.64	29,162,387.87	/	–	/	

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Construction in progress (continued)

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

2016

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)	20 million	12,330,609.77	2,464,369.96	14,794,979.73	–	–	–	12.32	In progress	–	Self-owned funds
Toll-by-weight projects	22 million	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	53 million	2,804,935.98	–	662,046.00	–	–	2,142,889.98	–	In progress	–	Self-owned funds
Billboard and light box projects	10 million	559,000.00	779,826.41	810,354.72	135,000.00	–	393,471.69	7.80	In progress	–	Self-owned funds
Others (a)		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	/	–	/	

(a) The amounts of projects were not disclosed respectively as they are not material.

16. Intangible assets

(1) General information of intangible assets

2017

Item	Concession intangible assets (a)	Office software	Billboard land use rights	Total
1. Cost				
31 December 2016	24,958,118,768.91	15,551,877.67	59,953,840.88	25,033,624,487.46
Current year additions	4,112,369,103.46	777,591.04	2,357,714.40	4,115,504,408.90
– Purchased	–	777,591.04	2,357,714.40	3,135,305.44
– Constructions	745,139,203.42	–	–	745,139,203.42
– Addition from business combinations involving enterprises not under common control	3,367,229,900.04	–	–	3,367,229,900.04
Current year reductions	15,056,826.86	21,398.86	–	15,078,225.72
– Disposal	15,056,826.86	21,398.86	–	15,078,225.72
31 December 2017	29,055,431,045.51	16,308,069.85	62,311,555.28	29,134,050,670.64
2. Accumulated amortisation				
31 December 2016	6,039,535,343.95	8,441,457.76	41,796,242.41	6,089,773,044.12
Current year additions	1,263,245,677.31	2,735,245.82	11,888,245.99	1,277,869,169.12
– Additions	1,263,245,677.31	2,735,245.82	11,888,245.99	1,277,869,169.12
Current year reductions	6,702,992.90	3,689.50	–	6,706,682.40
– Disposal	6,702,992.90	3,689.50	–	6,706,682.40
31 December 2017	7,296,078,028.36	11,173,014.08	53,684,488.40	7,360,935,530.84
3. Impairment				
31 December 2016	620,000,000.00	–	–	620,000,000.00
31 December 2017	620,000,000.00	–	–	620,000,000.00
4. Net book value				
31 December 2017	21,139,353,017.15	5,135,055.77	8,627,066.88	21,153,115,139.80
31 December 2016	18,298,583,424.96	7,110,419.91	18,157,598.47	18,323,851,443.34

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Intangible assets (continued)

(1) General information of intangible assets (continued)

2016

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 year additions	126,993,177.37	1,799,404.24	–	128,792,581.61
– Purchased	–	1,799,404.24	–	1,799,404.24
– Construction	126,993,177.37	–	–	126,993,177.37
Current year reductions	–	13,936,293.17	93,892,769.37	107,829,062.54
– Disposal subsidiary	–	13,935,555.27	–	13,935,555.27
– Disposal	–	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 year 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 year reductions	–	3,705,424.16	93,861,524.07	97,566,948.23
– Disposal subsidiary	–	3,705,424.16	–	3,705,424.16
– Disposal	–	–	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

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Intangible assets (continued)

(1) General information of intangible assets (continued)

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

2017

	Cost	31 December 2016	Current year additions	Current year reductions	Current year amortisation	Transfer out current year amortisation	31 December 2017	Accumulated amortisation	Impairment
Qinglian Expressway (b)	9,280,989,698.71	7,212,538,154.17	–	–	230,555,698.95	–	6,981,982,455.22	1,679,007,243.49	620,000,000.00
Nanguang Expressway	2,807,909,473.41	2,336,172,008.82	1,251,096.03	–	90,653,551.40	–	2,246,769,553.45	561,139,919.96	–
Shenzhen Airport-Heao Expressway – Eastern Section	3,086,787,505.32	1,779,279,406.26	–	5,383,006.52	203,076,662.42	3,076,721.42	1,573,896,458.74	1,512,891,046.58	–
Shuiguan Expressway (b)	4,448,811,774.58	4,081,012,258.91	–	–	333,862,190.53	–	3,747,150,068.38	701,661,706.20	–
Yanba Expressway	1,255,412,727.61	904,255,257.60	75,535.50	–	55,268,727.86	–	849,062,065.24	406,350,662.37	–
Wuhuang Expressway	1,523,192,561.64	593,707,024.96	–	–	125,661,698.39	–	468,045,326.57	1,055,147,235.07	–
Meiguan Expressway	604,588,701.64	339,755,770.08	–	9,458,643.91	37,991,519.77	3,594,435.89	295,900,042.29	308,688,659.35	–
Yanpai Expressway	910,532,308.18	530,706,436.99	–	–	42,487,692.38	–	488,218,744.61	422,313,563.57	–
Shenzhen Airport-Heao Expressway – Western Section	843,517,682.25	338,295,790.50	–	–	42,100,583.76	–	296,195,206.74	547,322,475.51	–
Outer Ring Expressway (b)	926,564,764.56	182,861,316.67	743,703,447.89	–	–	–	926,564,764.56	–	–
Yichang Expressway (b)(d)	3,125,293,474.68	–	3,125,293,474.68	–	84,868,557.20	–	3,040,424,917.48	84,868,557.20	–
Changsha Ring Road -Northwestern Section (d)	241,830,372.93	–	242,045,549.36	215,176.43	16,718,794.65	31,835.59	225,143,413.87	16,686,959.06	–
Total of concession intangible assets	**29,055,431,045.51**	**18,298,583,424.96**	**4,112,369,103.46**	**15,056,826.86**	**1,263,245,677.31**	**6,702,992.90**	**21,139,353,017.15**	**7,296,078,028.36**	**620,000,000.00**

2016

	Cost	31 December 2015	Current year additions	Current year amortization	31 December 2016	Accumulated amortization	Impairment
Qinglian Expressway	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, Outer Ring Expressway, Yichang Expressway and Shuiguan Expressway are set out in Note V.28(1)(b) and Note V.20(1).

(c) For the year ended 31 December 2017, the amount of amortisation of intangible assets was RMB1,277,869,169.12, which was the same as that charged to the statement of profit or loss and other comprehensive for the year (2016: RMB1,066,454,797.97).

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Intangible assets (continued)

(1) General information of intangible assets (continued)

(d) During the year, the current period additions of concession intangible assets mainly include Yi Chang Expressway and Changsha Ring Road due to the business combination involving entities not under common control, with the amount being the fair value on the acquisition date. For details please refer to Note VI.1.

(e) During the year, the Group had capitalized borrowing costs on intangible assets amounting to RMB19,621,913.94 (2016: RMB435,741.47).

* The land use rights of the Group are located in Mainland China and in the form of concession intangible assets.

17. Deferred tax assets and deferred tax liabilities

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

	31 December 2017		31 December 2016	
Item	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provisions for maintenance and resurfacing of the toll roads (a)	152,216,309.99	38,054,077.50	151,909,757.93	38,083,478.80
Compensation provided by concession grantors (b)	72,323,501.88	18,080,875.47	76,978,938.56	19,244,734.64
Deductible tax losses (c)	111,656,857.08	27,914,214.27	233,903,147.40	58,475,786.85
Operating compensation of newly built gates of Meiguan Expressway (d)	120,993,632.44	30,248,408.11	134,074,025.09	33,518,506.27
Difference between estimated cost of extension of Meiguan Expressway allocated to Toll Free Section and its preliminary compensation (e)	–	–	54,949,460.88	13,737,365.22
Fair value adjustments arising from business combination not under common control (f)	221,702,314.89	55,425,578.72	–	–
Payroll accrued but not paid	11,682,767.00	2,920,691.75	6,554,327.00	1,638,581.75
Foreign exchange swap (g)	71,371,857.31	17,842,964.33	–	–
Interest expense from agent-construction fee of Coastal Expressway Shenzhen Section Phase I (h)	39,387,094.44	9,846,773.61	–	–
Income tax prepaid due to advances from sales of real estates (i)	26,667,443.08	6,666,860.77	–	–
Other	3,275,415.92	818,853.98	3,968,474.72	992,118.68
Total	831,277,194.03	207,819,298.51	662,338,131.58	165,690,572.21
Including:				
Expected to be utilized within 1 year (including 1 year)		60,237,137.46		36,482,464.15
Expected to be utilized over 1 year		147,582,161.05		129,208,108.06
Total		207,819,298.51		165,690,572.21

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

(c) The Group has forecasted the future operating income and profit status of Guangdong Qinglian Highway Development Co., Ltd. ("Qinglian Company"), and on this basis, it predicts whether Qinglian Company will make up for the deductible losses incurred in previous years in the coming years, and therefore the deferred tax assets were recognized for the temporary differences in the estimated deductible losses.

(d) In 2015, the Group received a prepayment from the Shenzhen Government for compensation for the toll adjustment of Meiguan Expressway, and recognized the differences between the tax base and book value as deferred tax assets.

(e) The Group recognized the difference between estimated costs of extension allocated to the Toll Free Section and its preliminary compensation according to the Toll Adjustment Agreement of Meiguan Expressway as deferred tax assets. According to the auditing reports issued by Bureau of Investment Auditing which affiliated to Shenzhen government, different income tax assets of RMB13,737,365.22 were settled.

(f) When the Company acquired the Shenchang Company and confirmed the fair value of its identifiable assets and liabilities, it recognized the corresponding deferred tax assets for the temporary difference formed between the tax base and the book value.

(g) On 18 July 2016, the Company issued a 5-year long-term bond whose face value is USD300 million. On 27 July 2016, the Company signed the USD155 million and USD140 million foreign swap contracts respectively with China Merchants Bank and China CITIC Bank and recognized them as financial instruments. For the year of 2016, gains of changes in fair value for the financial instruments were RMB74,991,317.77, and the corresponding deferred income tax liabilities amounting to RMB18,747,829.44 were recognized.The original foreign exchange swap contracts signed with China Merchants Bank and China Citic Bank expired on 27 July 2017 and on 31 July 2017 respectively. After that, the Company renewed the USD100 million and USD50 million foreign exchange swaps extension with them respectively, and at the same time, signed the USD50 million foreign forward contract and USD100 million foreign exchange capped forward contract with China Bank. For the year of 2017, losses of changes in fair value of the financial instruments were RMB146,363,175.07, the corresponding deferred tax liabilities amounting to RMB18,747,829.44 were settled, and the corresponding deferred tax assets amounting to RMB17,842,964.33 were recognized.

(h) Due to the delayed payment of agent-construction fee of Coastal Expressway Shenzhen Section Phase I from Shenzhen Government, the Company accrued the interest expenses discounted and recognized the differences between the tax bases and book values as deferred income tax assets. For details please refer to Note V.11(1)(a).

(i) According to the requirements of Guo Shui Fa [2009] No. 31, Guizhou Land Company pre-paid income tax on the estimated gross profit calculated based on estimated tax rate of advances from sales of unfinished development products, and recognized the differences between the tax bases and book values as deferred tax assets.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

Item	31 December 2017 Taxable temporary differences	31 December 2017 Deferred tax liabilities	31 December 2016 Taxable temporary differences	31 December 2016 Deferred tax liabilities
The amortisation of concession intangible assets (a)	**605,714,766.44**	**151,428,691.61**	154,883,671.40	38,720,917.85
Business combinations involving enterprises not under common control (b)				
– Qinglian Company	**648,963,835.58**	**158,936,151.99**	670,393,610.23	164,293,595.65
– Airport-Heao Eastern Company	**1,103,303,399.16**	**275,825,851.79**	1,245,608,189.65	311,402,049.41
– Qinglong Company	**2,571,231,029.34**	**642,807,757.34**	2,804,765,901.80	701,191,475.45
– JEL Company	**351,983,242.55**	**87,859,977.09**	453,112,488.94	113,142,288.70
– Meiguan Company	**22,703,678.72**	**3,655,579.00**	25,562,026.78	4,370,166.01
– Yichang Company	**1,108,216,369.75**	**277,054,092.44**	–	–
Foreign exchange swap (Note V.17(1)(g)).	**–**	**–**	74,991,317.77	18,747,829.44
Total	**6,412,116,321.54**	**1,597,568,101.26**	5,429,317,206.57	1,351,868,322.51
Including:				
Expected to be utilized within 1 year (including 1 year)		**146,115,296.42**		132,058,461.03
Expected to be utilized over 1 year		**1,451,452,804.84**		1,219,809,861.48
Total		**1,597,568,101.26**		1,351,868,322.51

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

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

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

Item	Deferred tax assets and liabilities offset as at 31 December 2017	Net values of deferred tax assets/ liabilities as at 31 December 2017	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	**-59,953,594.49**	**147,865,704.02**	-112,548,468.31	53,142,103.90
Deferred tax liabilities	**59,953,594.49**	**1,537,614,506.77**	112,548,468.31	1,239,319,854.20

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

Item	31 December 2017	31 December 2016
Deductible tax losses	**212,666,285.90**	256,109,046.62
Total	**212,666,285.90**	256,109,046.62

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31 December 2017
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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

Year	31 December 2017	31 December 2016
Year 2017	–	88,750,103.43
Year 2018	**146,242,571.78**	146,242,571.78
Year 2019	**852,916.22**	878,206.68
Year 2020	**981,082.14**	981,082.14
Year 2021	**19,257,082.59**	19,257,082.59
Year 2022	**45,332,633.17**	–
Total	**212,666,285.90**	256,109,046.62

18. Other non-current assets

Item	31 December 2017	31 December 2016
Other non-current assets	**1,472,000,000.00**	–
Total	**1,472,000,000.00**	–

The other non-current assets of the Group are prepayments for acquisition of 100% equity of Shenzhen Guangshen Coastal Expressway Investment Co., Ltd ("Coastal Company"), please refer to Note XII.1.

19. Provision for impairment of assets

31 December 2017

Item	31 December 2016	Additions	Reductions	31 December 2017
Provision for impairment of concession intangible assets	**620,000,000.00**	–	–	**620,000,000.00**
Provision for bad debts	–	**450,000.00**	–	**450,000.00**
Total	**620,000,000.00**	**450,000.00**	–	**620,450,000.00**

31 December 2016

Item	31 December 2015	Additions	Reductions	31 December 2016
Provision for impairment of concession intangible assets	620,000,000.00	–	–	620,000,000.00
Total	620,000,000.00	–	–	620,000,000.00

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Short-term borrowings

Item	31 December 2017	31 December 2016
Pledged (1)	**1,118,256,000.00**	–
Credit (2)	**1,400,000,000.00**	–
Total	**2,518,256,000.00**	–

(1) On 31 December 2017, the interest rate on the loan of RMB420,000,000.00 was 5% lower than the benchmark one-year loan interest rate, the interest rate on the loan of RMB450,000,000.00 was 4.1325%, and the pledge of both loan was the operating right of Shuiguan Expressway; the interest rate on the remaining loan of RMB248,256,000.00 was 3.87%, and the pledge of the loan was 45% share in JEL.

(2) On 31 December 2017, the interest rate on the loan of RMB100,000,000.00 was the benchmark one-year loan interest rate; the interest rate on the loan of RMB1,150,000,000.00 was 3.915%; the interest rate on the loan of RMB50,000,000.00 was 4.1325%, and the interest rate on the remaining loan of RMB100,000,000.00 was 3.6975%.

As at 31 December 2017, the Company had no overdue loans.

21. Accounts payable

Accounts payable are interest free which will be paid within one year in general.

(1) Analysis of accounts payable

Item	31 December 2017	31 December 2016
Payables for construction projects and quality deposits	**317,969,498.84**	203,791,383.02
Others	**30,287,840.62**	15,766,652.60
Total	**348,257,339.46**	219,558,035.62

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

Item	31 December 2017	Reason for unsettlement
Shenzhen Municipal Engineering Corporation	**9,765,341.00**	Completed project under warranty period
Qingyuan Municipal Bureau of Land and Resources	**5,882,280.00**	Project settlement has not been completed
China Railway 18 Bureau Group Co., Ltd	**3,069,460.00**	Completed project under warranty period
Jiangxi Tongwei Highway Construction Group Co., Ltd	**3,053,656.08**	Project settlement has not been completed
Shenzhen Zhongzhuang Construction Group Co., Ltd	**2,087,682.89**	Completed project under warranty period
Total	**23,858,419.97**	/

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

	31 December 2017	31 December 2016
Within 1 month	**103,844,549.33**	63,342,121.43
1 to 2 months	**5,713,972.25**	1,260,674.46
2 to 3 months	**1,985,070.63**	535,134.93
3 months to 1 year	**114,039,258.18**	14,617,273.46
Over 1 year	**122,674,489.07**	139,802,831.34
Total	**348,257,339.46**	219,558,035.62

Notes to Financial Statements

31 December 2017
(All amounts in RMB unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Advances from customers

(1) General information of advances from customers

Item	31 December 2017	31 December 2016
Advances from sales of real estates	**456,303,129.00**	167,578,202.00
Advances from agent-construction fee of Coastal Project Phase II	**19,378,599.38**	33,207,547.17
Advances from advertising customers	**8,457,739.39**	11,584,919.03
Advances from agent-construction fee of Outer Ring Project	**–**	13,971,964.09
Others	**1,023,009.83**	1,287,123.64
Total	**485,162,477.60**	227,629,755.93

As at 31 December 2017, the account in advances collected from customers over 1 year was RMB56,490,030.00 (31 December 2016: RMB22,332,858.81) mainly comprised the advances from customers from Interlaken Town Project of Guizhou Land Company. The balance of the advances from customers through sales of completed properties held-for-sale of Phase I Stage II was RMB112,953,842.00. And the balance of the advances from customers through sales of completed properties held-for-sale of Phase II Stage I was RMB343,349,287.00.

23. Employee benefits payable

(1) Analysis of employee benefits payable

2017

Item	31 December 2016	Current period additions	Current period reductions	31 December 2017
I. Short-term wages	**108,642,178.60**	**493,560,346.86**	**439,358,621.46**	**162,843,904.00**
II. Pension benefits – defined contribution plans	**195,609.88**	**39,437,135.32**	**38,453,330.18**	**1,179,415.02**
Total	**108,837,788.48**	**532,997,482.18**	**477,811,951.64**	**164,023,319.02**

2016

Item	31 December 2015	Current period additions	Current period 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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. Employee benefits payable (continued)

(2) Analysis of short-term wages

2017

Item	31 December 2016	Current period additions	Current period reductions	31 December 2017
I. Wages and salaries, bonuses, allowances and subsidies	103,835,659.29	405,229,912.32	353,827,638.84	155,237,932.77
II. Staff welfare	–	37,226,499.11	36,811,212.56	415,286.55
III. Social security contributions	45,838.62	15,987,204.57	15,661,519.21	371,523.98
Including: Medical insurance	38,504.57	13,429,296.35	13,155,719.74	312,081.18
Work injury insurance	2,399.78	836,975.44	819,924.89	19,450.33
Maternity insurance	4,934.27	1,720,932.78	1,685,874.58	39,992.47
IV. Housing funds	–	21,543,665.31	21,204,145.36	339,519.95
V. Labor union funds and employee education funds	4,036,522.70	9,890,767.89	8,010,280.06	5,917,010.53
VI. Others	724,157.99	3,682,297.66	3,843,825.43	562,630.22
Total	108,642,178.60	493,560,346.86	439,358,621.46	162,843,904.00

2016

Item	31 December 2015	Current period additions	Current period 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 funds	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

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. Employee benefits payable (continued)

(3) Analysis of defined contribution plans

2017

Item	31 December 2016	Current period additions	Current period reductions	31 December 2017
I. Basic pensions	83,573.11	29,147,917.38	28,554,126.90	677,363.59
II. Unemployment insurance	1,733.01	604,425.69	592,112.56	14,046.14
III. Enterprise annuities	110,303.76	9,684,792.25	9,307,090.72	488,005.29
Total	195,609.88	39,437,135.32	38,453,330.18	1,179,415.02

2016

Item	31 December 2015	Current period additions	Current period 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

24. Taxes payable

Item	31 December 2017	31 December 2016
Corporate income tax payable	207,993,351.97	119,478,565.68
VAT payable	28,797,570.82	28,791,052.28
City maintenance and construction tax payable	1,980,716.73	1,956,555.02
Educational surcharge payable	947,228.98	913,933.73
Others	4,476,804.68	5,052,107.63
Total	244,195,673.18	156,192,214.34

25. Interest payable

Item	31 December 2017	31 December 2016
Interest of corporate bonds	43,850,747.27	45,423,765.19
Interest of medium-term notes	14,766,070.95	52,227,279.28
Interest of short-term borrowings	2,522,302.71	–
Interest of long-term borrowings with interest payable in installment and principal payable upon maturity	5,534,486.20	2,537,278.74
Total	66,673,607.13	100,188,323.21

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Other payables

(1) Analysis of other payables by nature

Item	31 December 2017	31 December 2016
Project funds retained for construction management contracts (a)	**783,973,461.97**	1,420,258,174.78
Payable related to maintenance for roads	**174,921,055.28**	148,337,388.98
Payable related to costs of construction management services	**139,615,305.62**	152,775,168.12
Payable of tender and performance deposit and warranty	**64,685,277.80**	86,753,369.95
Advance project expenditure and administrative special expenses	**41,907,245.21**	48,614,719.39
Payables due to associates	**44,946,531.79**	74,276,376.43
Overpaid Meiguan reconstruction and expansion government compensation payable (c)	**33,249,357.80**	–
Equity deposit payable to Guizhou Wanjin Co., Ltd (Guizhou Wanjin Company)	**29,968,000.00**	29,968,000.00
Payables of acquisition of Fameluxe Investment	**26,000,000.00**	26,000,000.00
Mechanical and electrical costs payable	**24,004,975.39**	11,204,391.89
County road construction fee of Hunan Province	**29,658,219.22**	–
Subscription funds and down deposits received for real estate sales	**2,320,000.00**	1,190,000.00
Acquisition of minority interests of JEL company (b)	**–**	333,498,800.00
Borrowing from CCCC Second Highway Engineering Co., Ltd.	**–**	20,000,000.00
Payable of Longli BT project funds	**–**	15,015,088.43
Others	**17,207,010.52**	19,233,329.63
Total	**1,412,456,440.60**	2,387,124,807.60

(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 was required to set up a special deposit account to settle the payment. As at 31 December 2017, project funds retained in the special deposit account amounting to RMB783,973,461.97 (31 December 2016: RMB1,420,258,174.78) were classified as a deposit in the special account of entrusted construction management and disclosed as restricted bank balance in the cash flow statement.

(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 Investments transferred a 45% interest in JEL Company to Mei Wah Company at a transfer price of RMB453,498,800.00. On 5 December 2016, the Group had paid the first RMB120,000,000.00 and the remaining consideration of RMB333,498,800.00 was accrued at the one-year benchmark interest rate. The interest expense recognized in this year was RMB3,576,597.67. On 3 and 7 April 2017, the Group had paid the remaining consideration and the interest.

(c) According to the audit opinion issued by Shenzhen Municipal Government Investment Audit Bureau, the Company made adjustments to the reconstruction and expansion of Meiguan during the year, and the overpaid government compensation payable was confirmed to be RMB33,249,357.80. For details, please refer to Note V. 11(1)(c).

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Other payables (continued)

(2) Significant other payables with aging over 1 year

Item	31 December 2017	Reason for unsettlement
GZ W2 Company	**40,750,000.00**	Dividend has been received but the dividend distribution plan has not been passed
Guizhou Wanjin Company	**29,968,000.00**	Contract settlement has not been completed.
Hetai Investment Company	**26,000,000.00**	Contract settlement has not been completed.
Shandong Provincial Highway and Bridge Group Co., Ltd.	**13,796,900.89**	Contract settlement has not been completed.
Nanjing Third Bridge Company	**4,196,531.79**	Dividend has been received but the dividend distribution plan has not been passed
Total	**114,711,432.68**	/

27. Current portion of non-current liabilities

Item	31 December 2017	31 December 2016
Compensations related to the toll adjustment of Three Expressways due within one year (Notes V.32)	**475,940,400.00**	459,050,000.00
Current portion of non-current borrowings (Notes V.28(1))	**105,522,900.05**	99,200,000.00
Including: Pledged	**95,477,445.50**	99,200,000.00
Credit loan	**10,045,454.55**	–
Current portion of provisions (Notes V.30)	**15,435,584.90**	24,435,584.90
Current portion of non-current bonds (Notes V.29(1))	**898,753,113.06**	999,325,267.24
Total	**1,495,651,998.01**	1,582,010,852.14

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Long-term borrowings

(1) Analysis of long-term borrowings

Item	31 December 2017	31 December 2016
Pledged	**4,234,708,369.49**	1,882,224,000.00
Credit	**850,000,000.00**	–
Less: Current portion	**105,522,900.05**	99,200,000.00
Total	**4,979,185,469.44**	1,783,024,000.00

(a) As at 31 December 2017, the Group's borrowings were repayable as follows:

Item	31 December 2017	31 December 2016
Within 1 year	**105,522,900.05**	99,200,000.00
1 to 2 years	**320,444,490.95**	49,600,000.00
2 to 5 years	**2,366,620,272.25**	745,040,000.00
Over 5 years	**2,292,120,706.24**	988,384,000.00
Total	**5,084,708,369.49**	1,882,224,000.00

(b) As at 31 December 2017, details of the long-term borrowings are set out as follows:

Item	Interest rate in current year	Currency	Amount in RMB	Assure details
Syndicated borrowings of Qinglian (i)	4.41%-4.90%	RMB	1,783,024,000.00	Operating rights of Qinglian Expressway
Syndicated borrowings of Yichang (ii)	4.90%-5.24%	RMB	1,297,767,663.50	Operating rights of Yichang Expressway
Syndicated borrowings of Outer Ring (iii)	4.41%	RMB	1,153,916,705.99	Operating rights of Outer Ring Expressway
Bank borrowings of Shenzhen Expressway (iv)	4.75%	RMB	850,000,000.00	Credit of Shenzhen Expressway
Less: Current portion			105,522,900.05	
Total			4,979,185,469.44	

(i) As at 31 December 2017, the interest rate on RMB1,780,215,842.64 was 10% lower than the People's Bank of China benchmark interest rate for borrowing more than five years; the interest rate on the remaining RMB2,808,157.36 was the People's Bank of China benchmark interest rate for borrowing more than five years.

(ii) As at 31 December 2017, the interest rate on RMB473,367,663.50 was 7% higher than the People's Bank of China benchmark interest rate for borrowing more than five years; the interest rate on the remaining RMB824,400,000.00 was the People's Bank of China benchmark interest rate for borrowing more than five years.

(iii) As at 31 December 2017, the interest rate on the loan was 10% lower than the People's Bank of China benchmark interest rate for borrowing more than five years.

(iv) As at 31 December 2017, the interest rate on the loan was the People's Bank of China benchmark interest rate for borrowing one to five years (including five years).

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. Bonds payable

(1) Bonds payable

Item	31 December 2017	31 December 2016
Corporate bonds	**2,732,092,797.02**	2,845,177,819.25
Medium-term notes	**898,753,113.06**	1,897,011,387.89
Sub-total	**3,630,845,910.08**	4,742,189,207.14
Less: Current portion of long-term bonds	**898,753,113.06**	999,325,267.24
Total	**2,732,092,797.02**	3,742,863,939.90

(2) Movements of bonds payable

Name	Par value	Date of issuance	Maturity	Issued amount	Balance at 31 December 2016	Current period issued	Accrual of interest by par value	Discount and issue fee amortization	Exchange gains – net	Current period repaid	31 December 2017
Corporate bonds (a)	800,000,000.00	31 July 2007	15 years	800,000,000.00	796,269,475.31	-	44,000,000.00	668,153.64	-	-	**796,937,628.95**
Corporate bonds (a)	1,995,330,000.00	18 July 2016	5 years	1,984,555,218.00	2,048,908,343.94	-	58,424,240.65	7,086,824.13	-120,840,000.00	-	**1,935,155,168.07**
Medium-term notes (b)	1,000,000,000.00	7 May 2014	3 years	1,000,000,000.00	999,325,267.24	-	18,350,916.66	674,732.76	-	1,000,000,000.00	**-**
Medium-term notes (b)	900,000,000.00	14 August 2015	3 years	900,000,000.00	897,686,120.65	-	36,614,902.51	1,066,992.41	-	-	**898,753,113.06**
Total	4,695,330,000.00	/	/	4,684,555,218.00	4,742,189,207.14	-	157,390,059.82	9,496,702.94	-120,840,000.00	1,000,000,000.00	**3,630,845,910.08**

(a) Corporate bonds

The Company issued long-term corporate bonds with a principal amount of RMB800,000,000.00 bearing an 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 the National Development & Reform Commission. Interest is repayable annually and principal is repayable in full upon maturity on 31 July 2022. The principal and interest of the bonds are unconditionally and irrevocably guaranteed by China Construction Bank Corporation, and are in turn secured by the Company's 100% equity interest in Meiguan.

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 Company issued a long-term bond with principal value of USD300 million. The bond issuance price was 99.46% of the principal value, bearing a term of 5 years and interest of 2.875% per annum. Interest has begun 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 purpose 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 RMB1,000,000,000.00, the Company completed the issuance on 7 May 2014, which bore a term of 3 years and interest rate of 5.50% per annum with interest repayable annually and principal repayable in full upon maturity. On 8 May 2017, the Company had repaid the full principal amount and the remaining interest.

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. Provisions

Item	31 December 2017	31 December 2016
Provisions for maintenance/resurfacing obligations	**152,216,309.99**	151,909,757.93
Less: Current portion	**15,435,584.90**	24,435,584.90
Total	**136,780,725.09**	127,474,173.03

31. Deferred income

2017

Item	31 December 2016	Current year addition	Current year reductions	31 December 2017	Explanation
Non-current liabilities					
Compensation to operating costs for Toll Free Section of Meiguan Expressway	**134,074,025.09**	**–**	**13,080,392.65**	**120,993,632.44**	Shenzhen Government compensation to the accrued operating costs for Toll Free Section of Meiguan Expressway in the future
Government compensation for demolition	**24,722,899.98**	**–**	**2,746,988.88**	**21,975,911.10**	Government compensation for demolition of Qinglong Company
Sub-total	**158,796,925.07**	**–**	**15,827,381.53**	**142,969,543.54**	
Current liabilities					
Return of deed taxes	**2,646,278.06**	**209,982.30**	**168,111.88**	**2,688,148.48**	Return of deed taxes provided from Guizhou Longli County Government to Guishen Company
Total	**161,443,203.13**	**209,982.30**	**15,995,493.41**	**145,657,692.02**	

2016

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	Shenzhen Government compensation to the accrued operating costs for Toll Free Section of Meiguan Expressway in the future
Government compensation for demolition	27,469,888.87	–	2,746,988.89	24,722,899.98	Government compensation for 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
Total	178,145,462.34	–	16,702,259.21	161,443,203.13	

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Deferred income (continued)

Items of government grants:

31 December 2017

Item	31 December 2016	Additional grants in current period	Recognized in non-operating income in current period	Other changes	31 December 2017	Related to assets/ revenue
Return of deed taxes	2,646,278.06	209,982.30	168,111.88	–	2,688,148.48	In related to assets
Compensation for demolition	24,722,899.98	–	2,746,988.88	–	21,975,911.10	In related to assets
Total	27,369,178.04	209,982.30	2,915,100.76	–	24,664,059.58	/

31 December 2016

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 for 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	/

32. Other non-current liabilities

Item	31 December 2017	31 December 2016
Compensations related to the toll adjustment of Three Expressways		
Acquisition of compensations related to the toll adjustment of Three Expressways	6,588,000,000.00	6,588,000,000.00
Including: unrecognized finance fee	904,210,000.00	904,210,000.00
Add: cumulative recognition of financial expense	630,840,400.00	337,302,400.00
Less: cumulative deduction of toll income containing tax	1,381,020,000.02	628,430,000.00
Balances of compensations related to the toll adjustment of Three Expressways	5,837,820,399.98	6,296,872,400.00
Including: unrecognized finance fee	273,369,600.00	566,907,600.00
Less: current portion of compensations related to the toll adjustment of Three Expressways/Balances reclassified to other payables	475,940,400.00	459,050,000.00
Total	5,361,879,999.98	5,837,822,400.00

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. Other non-current liabilities (continued)

On 30 November 2015, the Company entered into an agreement with Shenzhen Transportation Bureau to arrange the compensation related to toll adjustment of Three Expressways. The first stage has started from 7 February 2016 and will be ended on 31 December 2018, lasting the two years, ten months and another twenty-four days. During this period, Shenzhen Transportation Bureau purchases the toll services of this section and gives a cash compensation for the toll fee exemptions that caused by this purchase while the Company retains control and is responsible for the maintenance and resurfacing of the relevant toll roads. A third party professional traffic consultant will be appointed by the Company and Shenzhen Transportation Bureau to perform studies of the actual traffic volume under the corresponding toll road fee system. This consultant will also present the result by using the actual traffic volume which is adjusted and approved by both sides. The second stage will start from 1 January 2019 to the expiry date of Three Expressways. For the second stage, Shenzhen Transportation Bureau can choose between two options based on different situations. By choosing the first option, the operating method of the second stage is the same as the stage one, which means the toll fees exemption project will continue until the expiry date to the rights and interests in toll roads of the Three Expressways. By choosing the second option, the remaining rights and interests in toll roads of the Three Expressways will be taken back by Shenzhen Transportation Bureau and a one-off cash compensation will be made to the Company. Accordingly, Three Expressways toll road exemption scheme will be carried out in two stages starting midnight on 7 February 2016. Shenzhen Transportation Bureau is going to make cash compensation base on different options. On 29 January 2016, the arrangement has been examined and approved in the extraordinary general meeting held by the Company. As at 29 December 2015, the Company received the first compensation of RMB6,588,000,000.00 and financial expense amounting to RMB293,538,000.00 was recognized for the year ended 31 December 2017 (2016: RMB233,304,330.00).

33. Share capital

Year 2017	31 December 2016	Movement: New shares issued	Movement: Right issue	Movement: Transfer from surplus	Movement: Others	Movement: Sub-total	**31 December 2017**
Total share capital	2,180,770,326.00	–	–	–	–	–	**2,180,770,326.00**

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

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. Capital surplus

Year 2017

Item	31 December 2016	Current period additions	Current period reductions	31 December 2017
Share premium	2,274,351,523.42	–	–	2,274,351,523.42
Acquisition of minority interests (b)	-120,924,166.49	–	–	-120,924,166.49
Others (a)	-2,279,838.32	16,465,915.52	12,618,512.70	1,567,564.50
Total	2,151,147,518.61	16,465,915.52	12,618,512.70	2,154,994,921.43

Year 2016

Item	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 (b)	–	–	120,924,166.49	-120,924,166.49
Others (a)	–	–	2,279,838.32	-2,279,838.32
Total	2,274,351,523.42	–	123,204,004.81	2,151,147,518.61

(a) With respect to a decrease of RMB16,465,915.52 in other capital reserves, please refer to Note 5.12 (2); as well as an increase of RMB12,618,512.70 in other capital reserves, please refer to Note 5.12(3).

(b) As at 2 December 2016, the Company's wholly-owned subsidiary, Mei Wah Company, purchased 45% interest in JEL Company owned by Flywheel Investment, Shenzhen International's wholly-owned subsidiary, at a price of RMB453,498,800.00. After the acquisition, Mei Wah Company held a 100% interest in JEL Company, resulting in a decrease of capital surplus amounting to RMB120,924,166.49 and minority interests amounting to RMB332,574,633.51.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Other comprehensive income

Year 2017	31 December 2016	Amount incurred in current period: Pre-tax amount incurred in the current period	Amount incurred in current period: Post-tax amount attributable to owners of the Company	31 December 2017
Item that may be reclassified subsequently to profit or loss:	894,501,191.30	**-6,877,020.80**	**–6,877,020.80**	**887,624,170.50**
– 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**
– Under the equity method, the Company's share of the other comprehensive income the invested entity will be classified into profit or loss	–	**-4,825,335.80**	**-4,825,335.80**	**-4,825,335.80**
– Others	962,792.56	**-2,051,685.00**	**-2,051,685.00**	**-1,088,892.44**
Total other comprehensive income	894,501,191.30	**-6,877,020.80**	**-6,877,020.80**	**887,624,170.50**

Year 2016	31 December 2015	Amount incurred in current period: Pre-tax amount incurred in current year	Amount incurred in current period: Post-tax amount attributable to owners of the Company	31 December 2016
Item that may be reclassified subsequently to profit or loss:	893,605,520.32	895,670.98	895,670.98	894,501,191.30
– 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 other comprehensive income	893,605,520.32	895,670.98	895,670.98	894,501,191.30

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. Surplus reserve

Year 2017	31 December 2016	Current period additions	Current period reductions	31 December 2017
Statutory surplus reserve	1,577,817,102.75	107,406,491.08	–	**1,685,223,593.83**
Discretionary surplus reserve	453,391,330.06	–	–	**453,391,330.06**
Total	2,031,208,432.81	107,406,491.08	–	**2,138,614,923.89**

Year 2016	31 December 2015	Current year additions	Current year 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

In accordance with the Company Law of the Peoples' Republic of China, the Company's Articles of Association and the resolution of the Board of Directors, companies should appropriate 10% of the net profit for the year to the statutory surplus reserve, where the appropriation can be ceased 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 RMB107,406,491.08 for the year 2017 (2016: RMB115,324,464.69) to the statutory surplus reserve.

The Company appropriates the discretionary surplus reserve after the shareholders' meeting approves the proposal from the Board of Directors. The discretionary surplus reserve can be used to make up for the loss or increase capital after approval from the appropriate authorities. The Company did not appropriate any surplus reserve for the year ended 31 December 2017 (the same period in 2016: Nil).

37. Undistributed profits

Item	31 December 2017	31 December 2016
Opening undistributed profits	**5,416,848,490.55**	5,104,281,635.31
Add: Net profit attributable to equity holders of the Company in current period/year	**1,426,402,801.01**	1,169,353,230.77
Less: Appropriation for statutory surplus reserve	**107,406,491.08**	115,324,464.69
Dividends	**479,769,471.72**	741,461,910.84
Undistributed profits at the end of the year	**6,256,075,328.76**	5,416,848,490.55

In accordance with the resolution passed in the Annual General meeting on 23 May 2017, the Company proposed a cash dividend to all shareholders amounting to RMB479,769,471.72, which was calculated by reference to the 2,180,770,326 shares issued and a dividend of RMB0.22 per share. The cash dividend represents 41% of the net profit for the year ended 31 December 2016. As of 31 December 2017, the dividend has been paid in full.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. Revenue and cost of services

Item	2017 Revenue	2017 Cost	2016 Revenue	2016 Cost
Main business – toll road	**4,284,638,268.59**	**2,120,178,982.49**	3,679,988,086.44	1,863,000,759.27
Other services –				
Real estate Development revenue	**317,418,081.53**	**233,768,045.56**	253,685,024.38	213,008,459.05
Management services revenue	**103,116,600.03**	**63,760,807.37**	121,416,600.09	92,649,162.96
Advertising services revenue	**94,259,485.39**	**61,514,617.30**	109,682,513.35	61,490,496.75
Construction consulting service	**–**	**–**	333,917,584.13	278,150,139.08
Others	**37,188,398.35**	**19,419,980.10**	33,519,348.15	24,632,298.96
Sub-total of other businesses	**551,982,565.30**	**378,463,450.33**	852,221,070.10	669,930,556.80
Total	**4,836,620,833.89**	**2,498,642,432.82**	4,532,209,156.54	2,532,931,316.07

39. Tax and surcharges

Item	2017	2016
City maintenance and construction tax	**10,829,152.41**	11,283,732.83
Educational surcharge	**7,896,317.54**	8,208,247.26
Land appreciation tax	**6,726,657.69**	–
Property tax	**5,169,937.03**	3,979,809.14
Stamp tax	**4,617,564.50**	647,715.21
Construction fee for culture development	**2,310,814.90**	2,678,576.64
Business tax	**360,364.62**	38,845,008.12
Others	**681,667.45**	642,081.04
Total	**38,592,476.14**	66,285,170.24

40. General and administrative expenses

Item	2017	2016
Salary and wages	**123,260,790.37**	74,862,173.32
Lawyers and advisory fees	**12,795,828.72**	10,789,205.61
Depreciation and amortization	**6,342,264.73**	6,261,927.95
Rental fees	**7,657,016.21**	8,624,391.27
Stock exchange fees	**5,565,080.85**	5,532,719.30
Audit fees*	**5,993,825.63**	6,847,683.24
Office and communication charges	**2,043,512.00**	3,556,757.53
Office building management fees	**3,027,163.66**	2,498,988.06
Others	**16,981,805.05**	19,560,891.33
Total	**183,667,287.22**	138,534,737.61

* The remuneration of the auditors of the Company for 2017 was RMB5,760,000.00. (2016: RMB4,270,000.00)

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

41. Financial expenses

Item	2017	2016
Interest expenses	**727,250,543.67**	631,889,905.19
Including: Interest expenses from borrowings	**223,062,088.80**	100,091,360.80
Interest expenses from bonds payable	**167,686,762.76**	220,726,144.39
Overdue interest from acquisition of minority interests of JEL company (Note V.26(b))	**3,576,597.67**	–
Other financing expense (Note V.32)	**293,538,000.00**	311,072,400.00
Overdue interest from the income of construction agency of Coastal Project Phase I (Note V. 11(1)(a))	**39,387,094.44**	–
Exchange gain or losses	**-124,211,122.18**	87,518,024.13
Less: Interest income	**44,590,576.26**	78,826,290.07
Less: Interest capitalized	**20,377,191.50**	3,286,595.30
Others	**12,555,976.56**	2,147,691.31
Total	**550,627,630.29**	639,442,735.26

In the current year, the Group's borrowing interest capitalization amount has been included in inventory and intangible assets. Please refer to Note V.6(2) and Note V.16(e) for relevant information.

In 2017 and 2016, the Group did not have any interest income from financial assets that had been impaired.

42. Gain or Loss from changes in fair value

Item	2017	2016
Financial assets at fair value through loss	**-146,363,175.07**	74,991,317.77
Including: derivative financial instruments (Note V.2)	**-146,363,175.07**	74,991,317.77
Total	**-146,363,175.07**	74,991,317.77

43. Investment income

Item	2017	2016
Investment income from long-term equity investments under the equity method of joint ventures (Note V.12)	**7,079,749.78**	25,059,890.94
Investment income from long-term equity investments under the equity method of associates (Note. V.12)	**482,136,361.14**	281,035,636.48
Gain on fair value generated from original shares involving the business combination under common control realized by multiple transactions (Note VI.1(4))	**27,504,389.73**	–
Investment income from financial products	**7,581,799.16**	15,553,550.02
Investment income financial assets available-for-sale	**5,400,000.00**	38,200,000.00
Investment income from disposal of subsidiaries	**–**	52,828,171.39
Investment income from revaluing the remaining equity at fair value after loss of control	**–**	21,304,871.82
Investment loss from foreign exchange swap	**-850,968.84**	–
Total	**528,851,330.97**	433,982,120.65

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44. Gains or loss on disposal of assets

Item	2017	2016
Compensation for land expropriation from pinghu street office	**24,688,534.90**	–
Loss on Meiguan Expressway fee adjustment and facility construction compensation project due to audit adjustment	**-43,695,332.04**	-26,760,000.00
Others	**282,047.03**	5,671.56
Total	**-18,724,750.11**	-26,754,328.44

45. Other income

Government grants related to daily activities are as follows:

Item	2017	2016	Asset/Profit related
Government grants related to deferred (Note. V.31)	**168,111.88**	–	Asset related

46. Non-operating income

Item	2017	2016	Amount recorded as non-recurring profit or loss in 2017
Government grants unrelated to daily activities (a)	**9,059,126.55**	5,877,947.62	9,059,126.55
Others	**2,056,889.92**	1,357,126.51	2,056,889.92
Total	**11,116,016.47**	7,235,074.13	11,116,016.47

(a) Government grants irrelated to daily activities are as follows:

Item	2017	2016	Asset/Profit related
Government incentives (i)	**6,312,137.67**	2,312,264.13	Profit related
Government grants related to deferred (ii)	**2,746,988.88**	3,565,683.49	Asset related
Total	**9,059,126.55**	5,877,947.62	

(i) On 27 December 2017, the company received settlement grants of RMB5,000,000.00 from Shenzhen Longhua new district development and finance bureau, for moving its registration place and tax registration to longhua new district. Other government incentives include the meiguan toll station reconstruction compensation, cultural industry support fund, stable post subsidies, etc.

(ii) The detailed information is set out in Note. V.31.

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47. Non-operating expenses

Item	2017	2016	Amount recognized in non-recurring profit or loss in 2017
The loss on damage or scrap of non-current assets	**1,872,253.66**	191,621.99	1,872,253.66
Donation	**1,009,402.50**	1,788,865.00	1,009,402.50
Others	**1,028,621.91**	1,402,570.40	1,028,621.91
Total	**3,910,278.07**	3,383,057.39	3,910,278.07

48. Expenses by nature

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

Item	2017	2016
Depreciation and amortization	**1,433,132,981.29**	1,231,072,539.96
Salary and wages	**527,444,210.40**	537,111,241.93
Real estate development costs	**233,768,045.56**	213,008,459.05
Costs of construction consulting service	**–**	160,626,124.22
Road maintenance expenses	**144,383,085.11**	151,357,976.16
Entrusted management expenses for Wuhuang Expressway	**95,477,715.34**	88,559,532.08
Costs of construction management services	**21,290,688.29**	63,319,390.61
Material, water and electrical costs	**49,881,270.46**	51,527,841.54
Mechanical and electrical costs	**28,453,934.18**	29,289,034.99
Costs of agencies	**19,219,574.65**	19,838,241.48
Integrated tolls settlement service expenses	**15,551,397.96**	16,385,481.26
Promotion and marketing expense	**10,582,566.98**	11,302,397.93
Other expenses	**123,257,809.77**	116,705,213.81
Total	**2,702,443,279.99**	2,690,103,475.02

49. Income tax expenses

(1) Classification of income tax expense

Item	2017	2016
Income tax expense	**508,712,608.69**	382,044,423.21
Deferred income tax	**-139,069,254.28**	-76,017,330.07
Total	**369,643,354.41**	306,027,093.14

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49. Income tax expenses (continued)

(2) Income tax expense reconciliation from profit before tax

Item	2017	2016
Profit before tax	**1,915,644,703.54**	1,622,448,902.74
Income tax expenses calculated at the applicable tax rate	**479,574,239.03**	405,612,225.69
Lower tax rates enacted by a particular provincial or local authority	–	-3,236,837.08
Effect of withholding tax on distributable profits of the Group's PRC subsidiaries	**2,238,336.54**	1,358,890.42
Income not subject to tax	**-134,814,228.84**	-94,231,237.29
Unrecognized tax losses at the current period	**10,670,095.14**	1,276,822.54
Use of unrecognized tax losses at previous periods	–	-6,691,309.98
Utilization of previous unrecognized tax losses	**1,963,065.67**	–
Adjustment of income tax in the prior period	**8,898,646.78**	–
Expenses not deductible for tax purposes	**1,113,200.09**	1,938,538.84
Income tax expense calculated based on the effective tax rate of the Group	**369,643,354.41**	306,027,093.14

50. Notes to the consolidated cash flow statement

(1) Cash received relating to other operating activities

Item	2017	2016
Cash received relating to Meiguan facilities construction project	**53,810,000.00**	–
Received purchasing deposits of property under development	**27,550,797.40**	–
Cash received relating to funding of Coastal Company	**142,009.42**	4,384,565.96
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 of Pengbo Company	–	26,451,077.07
Cash received from Longli Country Government in relation to Longli Resettlement (Phase II) Project	–	10,000,000.00
Others	**38,285,787.06**	23,538,326.85
Total	**119,788,593.88**	129,095,298.18

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50. Notes to the consolidated cash flow statement (continued)

(2) Cash paid relating to other operating activities

Item	2017	2016
Payment for further development of land	**162,530,112.40**	129,674,388.82
Management expenses	**115,929,711.54**	100,366,078.68
Payment for acquisition of land use right	**57,671,540.00**	55,861,692.00
Cash advanced to Longli BT Project	**31,810,926.70**	12,000,000.00
Audit, valuation, legal and advisory fees paid	**17,563,983.81**	11,577,354.46
Warranty payment to China Railway 13 Bureau Group Co., LTD for adjustment to Freight Traffic Organization Project	**11,668,616.60**	–
Expenses paid to stock exchanges	**5,228,035.87**	4,475,092.12
Cash advanced to Longli Resettlement (Phase I) Project	**–**	10,000,000.00
Other operating expenses paid	**60,700,636.94**	107,816,910.26
Total	**463,103,563.86**	431,771,516.34

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

Item	2017	2016
The price of disposal of subsidiaries and other business units	**–**	150,259,311.84
Cash and cash equivalents received from disposal of subsidiaries and other business units	**–**	150,259,311.84
Less: acquired cash and cash equivalents held by subsidiaries and other business units when losing control of them	**–**	104,666,026.93
Net cash receivable from disposal of subsidiaries and other business units	**–**	45,593,284.91

(4) Cash received relating to other investment activities

Item	2017	2016
Maturity redemption of financial products	**1,950,000,000.00**	4,800,000,000.00
Interests income received	**46,340,165.09**	57,678,271.03
Received refunds of equity bidding cash deposits	**11,000,000.00**	–
Received self-built project warranty deposit	**214,604.47**	–
Received principle and interest of Qinglong Company returned by Huayu Investment	**–**	20,327,945.21
Others	**6,196,630.85**	–
Total	**2,013,751,400.41**	4,878,006,216.24

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50. Notes to the consolidated cash flow statement (continued)

(5) Cash paid relating to the acquisition of subsidiaries and other business units

Item	2017	2016
Paid share subscription fee of Derun	**4,415,582,466.80**	–
Paid share subscription fee of Coastal Company	**1,472,000,000.00**	
Paid share subscription fee of Yichang	**1,270,000,000.00**	–
Paid to Water Planning and Design Institute due to increase capital	**63,127,800.00**	–
Cash and cash equivalent of Shenchang Company on acquisition date	**-46,825,566.55**	
Cash and cash equivalent of Yichang Company on acquisition date	**-117,109,152.13**	
Capital increase to Joint Land Company	**–**	1,896,300,000.00
Equity subscription to Bank of Guizhou Co., Ltd.	**–**	68,640,000.00
Paid withholding income tax due to transfer of Hetai Company's equity interest	**–**	20,000,000.00
Capital increase to United Electronic Company	**–**	13,320,000.00
Total	**7,056,775,548.12**	1,998,260,000.00

(6) Cash paid relating to other investment activities

Item	2017	2016
Purchased financial products	**1,400,000,000.00**	5,350,000,000.00
Guarantee deposit of biding for equity	**6,000,000.00**	5,000,000.00
Others	**–**	1,300,000.00
Total	**1,406,000,000.00**	5,356,300,000.00

(7) Cash paid relating to other financing activities

Item	2017	2016
Cash paid on purchasing non-controlling interests of subsidiary	**333,498,800.00**	120,000,000.00
Return loan to minority shareholder of subsidiary	**37,807,184.28**	–
Commission fee of issuing shares and bonds	**2,322,500.00**	–
Others	**12,544,858.03**	4,942,614.23
Total	**386,173,342.31**	124,942,614.23

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51. Supplementary information to the consolidated cash flow statement

(1) Supplementary information to the consolidated cash flow statement

Supplementary information	2017	2016
1. Reconciliation from net profit to cash flows from operating activities:		
Net profit	**1,546,001,349.13**	1,316,421,809.60
Depreciation of fixed assets	**153,071,951.42**	158,285,895.25
Amortisation of investment properties	**575,700.00**	575,700.00
Amortisation of intangible assets	**1,277,869,169.12**	1,066,454,797.97
Amortisation of long-term prepaid expenses	**1,616,160.75**	5,756,146.74
Net losses on disposal of fixed, intangible, and other long-term assets	**18,724,750.11**	26,953,464.71
Loss on change in fair value	**146,363,175.07**	-74,991,317.77
Financial expenses	**550,627,630.29**	639,442,735.26
Investment income	**-528,851,330.97**	-433,982,120.65
Impairment loss on assets	**450,000.00**	
Decrease of deferred income tax assets (increase are listed with"-")	**-94,723,600.12**	24,475,408.05
Increase of deferred income tax liabilities (decrease are listed with"-")	**298,294,652.57**	-100,492,738.12
Increase in inventories (increase are listed with"-")	**63,858,985.45**	-14,400,265.15
Decrease in operating receivables	**219,547,353.47**	132,149,887.89
Increase in operating payables	**-992,720,155.82**	-620,039,377.33
Net cash flows from operating activities	**2,660,705,790.47**	2,126,610,026.45
2. Net change in cash		
Cash at the end of the period	**1,686,508,423.22**	4,243,639,666.01
Less: cash at the beginning of the period	**4,243,639,666.01**	6,180,992,066.06
Net increase in cash	**-2,557,131,242.79**	–1,937,352,400.05

(2) Cash and cash equivalents

Item	31 December 2017	31 December 2016
Cash		
Including: Cash on hand	**10,703,167.75**	11,775,045.42
Cash at banks	**1,675,805,255.47**	4,231,864,620.59
Cash at the end of the period	**1,686,508,423.22**	4,243,639,666.01
Including: Restricted cash held by the Company and group companies (Note V.1)	**834,757,405.73**	1,420,258,174.78
Total cash at banks and on hand	**2,521,265,828.95**	5,663,897,840.79

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

52. Assets with ownership or use right restricted

Item	31 December 2017	31 December 2016	Reason for restriction
Operating right of Qinglian Expressway	**6,981,982,455.22**	7,212,538,154.17	Note 1
Operating right of Shuiguan Expressway	**3,747,150,068.38**	–	Note 2
Operating right of Yichang Expressway	**3,040,424,917.48**	–	Note 3
Operating right of Outer Ring Expressway	**926,564,764.56**	–	Note 4
The equity interest in Meiguan Company	**526,221,279.42**	528,365,040.46	Note 5
45% share in JEL	**302,377,401.24**	–	Note 6
Cash at banks and on hand	**834,757,405.73**	1,420,258,174.78	Note 7
Total	**16,359,478,292.03**	9,161,161,369.41	/

Note 1: On 31 December 2017, the operation right of Qinglian Expressway with a net carrying amount of RMB6,981,982,455.22 (2016: RMB7,212,538,154.17) were pledged to secure long-term bank loans granted to the Group. The pledged term will be ended on 21 December 2024.

Note 2: On 31 December 2017, the operation right of Shuiguan Expressway with a net carrying amount of RMB3,747,150,068.38 (2016: nil) were pledged to secure short-term bank loans granted to the Group. The pledged term will be ended on 14 May 2018. On 31 December 2016, the operation right was not pledged.

Note 3: On 31 December 2017, the operation right of Yichang Expressway with a net carrying amount of RMB3,040,424,917.48 (2016: nil) were pledged to secure long-term bank loans granted to the Group. The pledged term will be ended on 15 December 2030. On 31 December 2016, the operation right was not pledged.

Note 4: On 31 December 2017, the operation right of Outer Ring Expressway with a net carrying amount of RMB926,564,764.56 (2016: nil) were pledged to secure long-term bank loans granted to the Group. The pledged term will be ended on 14 March 2042. On 31 December 2016, the operation right was not pledged.

Note 5: On 31 December 2017, the 100% equity of Meiguan Company with a net carrying amount of RMB526,221,279.42 (2016: RMB528,365,040.46) were pledged to secure long-term bonds granted to the Group. The pledged term will be ended on 31 July 2022.

Note 6: On 31 December 2017, the 45% equity of JEL Company with a net carrying amount of RMB302,377,401.24 (2016: nil) were pledged to secure short-term bank loan granted to the Group. The pledged term will be ended on 6 April 2018. On 31 December 2016, the operation right was not pledged.

Note 7: On 31 December 2017, cash and cash equivalents with a net carrying amount of RMB834,757,405.73 (2016: RMB1,420,258,174.78) were restricted project funds retained for construction management. Please refer to Note V.1.

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

53. Monetary items denominated in foreign currency

(1) Monetary items denominated in foreign currency

	31 December 2017			31 December 2016		
Item	Original amount	Exchange rate	Equivalent to RMB	Original amount	Exchange rate	Equivalent to RMB
Monetary capital						
HKD	**3,722,258.63**	**0.8359**	**3,111,473.21**	8,367,482.68	0.8945	7,484,713.26
USD	**678,950.69**	**6.5342**	**4,436,399.59**	16,902.97	6.9370	117,255.90
EUR	**257.00**	**7.8023**	**2,005.19**	257.00	7.3068	1,877.85
GBP	**30.00**	**8.7792**	**263.38**	30.00	8.5094	255.28
FRF	**11.70**	**1.0812**	**12.65**	11.70	1.0812	12.65
PTAS	**446.00**	**0.0468**	**20.88**	446.00	0.0468	20.88
JPY	**380.08**	**0.0579**	**22.00**	380.00	0.0596	22.65
Other receivables						
HKD	**1,738,344.22**	**0.8359**	**1,453,099.32**	10,811,427.49	0.8945	9,670,821.89
USD	**280.54**	**6.5342**	**1,833.13**	166.35	6.9370	1,153.97
Employee benefits payable						
HKD	**12,890.94**	**0.8359**	**10,775.67**	6,748.40	0.8945	6,036.44
Interest payable						
USD	**3,905,208.33**	**6.5342**	**25,517,412.27**	3,905,208.33	6.9370	27,090,430.19
Bond payable						
USD	**296,157,933.35**	**6.5342**	**1,935,155,168.07**	295,359,426.83	6.9370	2,048,908,343.94

54. Others

(1) Earnings per share

(a) Basic earnings per share

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

Item	2017	2016
Consolidated net profit attributable to ordinary shareholders of the Company	**1,426,402,801.01**	1,169,353,230.77
Weighted average number of ordinary shares outstanding	**2,180,770,326.00**	2,180,770,326.00
Basic earnings per share	**0.654**	0.536
Including: Basic earnings per share from continuing operations	**0.654**	0.536

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the 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 in 31 December 2017, diluted earnings per share was equal to basic earnings per share.

VI. CHANGE IN CONSOLIDATION

1. Business combination not involving enterprises under common control

(1) Business combination not involving enterprises under common control in this period

Acquiree	Acquisition date	Acquisition cost	Equity percentage (%)	Acquiring method	Purchasing Date	Evidence of the acquisition date	Acquiree's revenue from purchasing date to 31 December 2017	Acquiree's net profit from the acquisition date to 31 December 2017	Acquiree's cash flow of operating activities from the acquisition date to 31 December 2017	Acquiree's net cash flow from the acquisition date to 31 December 2017
Shenchang Company (a)	1 April 2017	–	–	–	1 April 2017	Change the articles of association and completion of the procedure	114,065,216.85	49,403,052.69	85,497,503.89	8,916,542.26
Yichang Company (b)	15 June 2017	1,270,000,000.00	100%	Purchase	15 June 2017	Take control of the acquiree and completion of the procedure	228,392,437.70	56,643,027.82	200,516,694.42	-22,323,795.16

(a) Shenchang Company is a limited liability company jointly established in 1998 by the Company and Changsha Ring Road Construction and Development Co., Ltd. ("Changsha Ring Road Company") with registered capital of RMB200 million. The Company hold 51% of its equity while Changsha Ring Road Company hold the rest 49%. According to the cooperation agreement of the Company and the Articles of Association of the Company, the important financial and production and operational decisions of the Company were required to be agreed upon by both parties. Therefore, Shenchang Company was a joint venture of the Company and accounted for the equity method. On 1 April 2017, the Company amended the Articles of Association of the Company, and the important financial and production and operational decisions can now be implemented if over one half of the shareholders approve. At this point, the Company has formed a control over the Company and the Company has been changed from a joint venture of the Company to a subsidiary of the Company. The equity method is changed to be accounted for the cost method.

(b) On 20 January 2017, the Company entered into an equity transfer agreement with Ping An Innovation. The Company acquired a 100% equity interest in Yichang Company, which was held by Ping An Innovation, at a consideration of RMB1,270,000,000.00 in cash. The acquisition was completed on 15 June 2017.

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VI. CHANGE IN CONSOLIDATION (CONTINUED)

1. Business combination not involving enterprises under common control (Continued)

(2) Cost of acquisition and goodwill

Cost of acquisition	Shenchang Company	Yichang Company
– Fair value of equity interest holding before the acquisition date	189,685,868.92	–
– Price for increasing holding equity interest	–	1,270,000,000.00
Total of cost of acquisition	189,685,868.92	1,270,000,000.00
Decrease: the acquirer's interest in fair value of the identifiable net assets obtained	189,685,868.92	1,270,000,000.00
Goodwill	–	–

(3) Identifiable assets and liabilities acquired on the combination date

	Shenchang Company		Yichang Comapny	
	Fair value on consolidation date	Book value on consolidation date	Fair value on consolidation date	Book value on consolidation date
Assets:	399,078,414.75	579,111,634.45	3,270,820,887.15	2,132,255,365.39
Cash at banks and on hand	46,825,566.55	46,825,566.55	117,109,152.13	117,109,152.13
Accounts receivable	2,853,200.00	2,853,200.00	7,965,763.00	7,965,763.00
Other receivables	1,332,488.71	1,332,488.71	594,844.62	594,844.62
Inventories	–	–	20,217.00	20,217.00
Fixed assets	45,565,217.71	45,565,217.71	18,793,029.16	18,793,029.16
Construction in progress	–	–	1,044,406.56	1,044,406.56
Intangible assets	241,936,425.36	481,980,718.29	3,125,293,474.68	1,986,727,952.92
Deferred tax assets	60,565,516.42	554,443.19	–	–
Liabilities:	26,975,338.41	26,975,338.41	2,000,820,887.15	1,716,179,506.71
Accounts payable	8,199,334.32	8,199,334.32	–	–
Dividends payable	–	–	133,496,614.91	133,496,614.91
Employee benefits payable	622,192.43	622,192.43	2,860,546.24	2,860,546.24
Taxes payable	362,382.74	362,382.74	28,543,459.50	28,543,459.50
Interest payable	–	–	16,070,401.47	16,070,401.47
Other payables	17,791,428.92	17,791,428.92	60,646,542.51	60,646,542.51
Current portion of long-term liabilities	–	–	42,452,400.00	42,452,400.00
Deferred tax liabilities	–	–	402,096,936.27	117,455,555.83
Long-term borrowings	–	–	1,314,653,986.25	1,314,653,986.25
Net assets	372,103,076.34	552,136,296.04	1,270,000,000.00	416,075,858.68
Minority interests	182,417,207.42	270,546,785.06	–	–
Acquired net assets	189,685,868.92	281,589,510.98	1,270,000,000.00	416,075,858.68

Recognition method of the fair values of identifiable assets and liabilities:

The Company used valuation techniques to determine the fair values of Shenchang Company's assets and liabilities on the acquisition date at a discount rate of 9.40%.

The Company used valuation techniques to determine the fair values of Yichang Company's assets and liabilities on the acquisition date at a discount rate of 8.58%.

VI. CHANGE IN CONSOLIDATION (CONTINUED)

1. Business combination not involving enterprises under common control

(4) Gain or loss arising from fair value of the equity shares before the acquisition date

Acquiree	Book value of equity interest acquired before the acquisition date	Fair value of equity interest acquired before the acquisition date	Gain or loss arising from fair value of the equity shares before the acquisition date	Method and assumptions	The amount of other comprehensive income transferred to investment income
Shenchang Company	162,181,479.19	189,685,868.92	27,504,389.73	Income approach	–

2. Change in consolidation caused by other reason

(1) Shenzhen Expressway Finance I Limited was dissolved on 25 May 2017, in view of the fact that the Group had no plans for overseas financing by BVI as a platform and cost savings in the next few years. Therefore, since 25 May 2017, the Group has no longer incorporated Shenzhen Expressway Finance I Limited into the scope of consolidation.

(2) On 26 June 2017, the Group set up a wholly-owned subsidiary Shenzhen Expressway Construction and Development Company Limited ("Construction and Development Company") with issued capital of RMB30,000,000.00. The core business of this company is providing construction to highways and urban roads infrastructure. Since 26 June 2017, the Group has incorporated the new subsidiary into the scope of consolidation.

(3) On 18 May 2017, Guizhou Land Company, a subsidiary of the Company, set up a wholly-owned subsidiary Guizhou Yehengda Land Co., LTD ("Guizhou Yehengda Company"), with issued capital of RMB1,000,000.00. The core business of this company is land development. Since 18 May 2017, the Group has incorporated the new subsidiary into the scope of consolidation.

(4) On 8 November 2017, the Group set up a wholly-owned subsidiary Shenzhen Expressway (Shantou Special Cooperation Area) Construction Environmental Protection Development Company Limited ("Shenshan Company"), with issued capital of RMB500,000,000.00. The core business of this company is providing Environment Protection Construction. Since 8 November 2017, the Group has incorporated the new subsidiary into the scope of consolidation.

(5) On 28 December 2017, the Group set up a wholly-owned subsidiary Shenzhen Expressway (Guangzhou) Industrial Investment Fund Management Company Limited ("Fund Management Company"), with issued capital of RMB10,000,000.00. The core business of this company is providing services on capital market. Since 28 December 2017, the Group has incorporated the new subsidiary into the scope of consolidation.

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VII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Particulars of the Company's subsidiaries are as follows

Name of subsidiaries	Place of main business	Place of registration	Nature of business and principal activities	Share capital	Equity interest (%) Direct	Equity interest (%) Indirect	Acquired through
Outer Ring Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	RMB100,000,000.00	100%	–	Incorporation
Shenzhen Expressway Investment Company Limited ("Investment Company")	Longli County, Guizhou Province, PRC	Shenzhen City, Guangdong Province, PRC	Investment	RMB400,000,000.00	95%	5%	Incorporation
Guishen Company	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Infrastructure construction	RMB500,000,000.00	–	70%	Incorporation
Guizhou Land Company	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	RMB158,000,000.00	–	70%	Incorporation
Guizhou Shengbo Land Company Limited ("Guizhou Shengbo Land Company")	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	RMB1,000,000.00	–	70%	Incorporation
Guizhou Yuelong Investment Company limited ("Guizhou Yuelong Company")	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	RMB1,000,000.00	–	70%	Incorporation
Shenzhen Expressway Property Management Company("Property Company")	Longli County, Guizhou Province, PRC	Shenzhen City, Guangdong Province, PRC	Property management	RMB1,000,000.00	–	100%	Incorporation
Environment Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Environmental projects and advisory	RMB5,000,000,000.00	100%	–	Incorporation
JEL Company	Hubei Province, PRC	Cayman Islands	Investment holding	USD30,000,000.00	–	100%	Business combinations involving enterprises under common control
Hubei Magerk Expressway Management Co., LTD ("Magerk Company")	Hubei Province, PRC	Hubei Province, PRC	Toll road operation	USD28,000,000.00	–	100%	Business combinations involving enterprises under common control
Qinglian Company	Qingyuan City, Guangdong Province, PRC	Qingyuan City, Guangdong Province, PRC	Toll road operation	RMB3,361,000,000.00	51.37%	25%	Business combinations involving enterprises not under common control
Shenzhen Expressway Advertising Company ("Advertising Company")	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Advertising agency	RMB30,000,000.00	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	RMB332,400,000.00	100%	–	Business combinations involving enterprises not under common control

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (continued)

(1) Particulars of the Company's subsidiaries are as follows (continued)

Name of subsidiaries	Place of main business	Place of registration	Nature of business and principal activities	Share capital	Equity interest (%) Direct	Indirect	Acquired through
Mei Wah Company	Hubei Province and Guangdong Province, PRC	Hong Kong	Investment holding	RMB823,012,897.00	100%	–	Business combinations involving enterprises not under common control
Maxprofit Company	Guangdong Province, PRC	British Virgin Islands	Investment holding	USD85,360,000.00	–	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	RMB440,000,000.00	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	RMB1,000,000.00	–	70%	Incorporation
Henghongda Property Company Limited	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	RMB1,000,000.00	–	70%	Incorporation
Fameluxe Company	Hong Kong	Hong Kong	Investment holding	HKD10,000.00	–	100%	Business combinations involving enterprises not under common control
Shenzhen Expressway Operation Development Co., LTD	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	RMB30,000,000.00	95%	5%	Incorporation
Qinglong Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	RMB324,000,000.00	40%	10%	Business combinations involving enterprises not under common control
Shenchang Company (a)	Changsha City, Hunan Province, PRC	Changsha City, Hunan Province, PRC	Toll road operation	RMB200,000,000.00	51%	–	Business combinations involving enterprises not under common control
Yichang Company (a)	Changde City, Hunan Province, PRC	Changde City, Hunan Province, PRC	Toll road operation	RMB345,000,000.00	100%	–	Business combinations involving enterprises not under common control
Construction and Development Company (b)	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Infrastructure construction	RMB30,000,000.00	95%	5%	Incorporation
Guizhou Yehengda Company (b)	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	RMB1,000,000.00	–	70%	Incorporation
Shenshan Company (b)	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Environment protection construction	RMB500,000,000.00	51%	49%	Incorporation
Fund Management Company (b)	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Capital market services	RMB10,000,000.00	95%	5%	Incorporation

(a) For detail of Shenchang Company and Yichang Company, please refer to Note VI 1.

(b) For detail of Construction and Development Company, Guizhou Yehengda Company, Shenshan Company and Fund Management Company, please refer to Note VI 2.

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VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (continued)

(2) Significant partly-owned subsidiaries

2017

Name of subsidiaries	Equity interest held by minority interests	Net profit attributable to minority shareholders in 31 December 2017	Dividend declared by subsidiaries to the minority shareholders in 31 December 2017	Shareholder investment withdrawn	New business combination	Minority interests as at 31 December 2017
Qinglian Company	23.63%	17,389,006.21	–	–	–	623,679,629.03
Guishen Company	30.00%	11,891,123.32	–	–	–	224,091,685.47
Qinglong Company	50.00%	66,110,922.75	-144,600,742.17	–	–	1,139,898,135.92
Shenchang Company	49.00%	24,207,495.84	–	-37,807,184.28	182,417,207.42	168,817,518.98
Total	/	119,598,548.12	-144,600,742.17	-37,807,184.28	182,417,207.42	2,156,486,969.40

2016

Name of subsidiaries	Equity interest held by minority interests	Net profit attributable to minority shareholders in 31 December 2017	Dividend declared by subsidiaries to the minority shareholders in 31 December 2017	Minority interests as at 31 December 2017
Qinglian Company	23.63%	5,187,319.15	–	606,290,622.82
JEL Company	–	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	–	20,423,156.24	-4,357,096.78	–
Total	/	147,068,578.83	-250,823,850.89	2,036,879,140.31

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

	31 December 2017					
Name of subsidiaries	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Qinglian Company	119,583,635.74	7,269,239,753.21	7,388,823,388.95	222,571,252.00	4,529,297,780.94	4,751,869,032.94
Guishen Company	1,302,665,651.40	50,959,022.01	1,353,624,673.41	606,651,968.06	–	606,651,968.06
Qinglong Company	135,037,348.69	3,879,016,295.99	4,014,053,644.68	969,473,704.40	764,783,668.44	1,734,257,372.84
Shenchang Company (a)	61,596,838.63	322,081,145.46	383,677,984.09	39,329,373.99	–	39,329,373.99

	31 December 2016					
Name of subsidiaries	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
Shenchang Company (a)	–	–	–	–	–	–

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (continued)

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

	2017			
Name of subsidiaries	Revenue	Net (loss)/profit	Total comprehensive income	Net cash flows from operating activities
Qinglian Company	**741,990,194.46**	**73,588,684.87**	**73,588,684.87**	**610,867,059.03**
Guishen Company	**317,439,414.86**	**39,637,077.72**	**39,637,077.72**	**358,437,881.73**
Qinglong Company	**651,010,442.19**	**132,221,845.49**	**132,221,845.49**	**444,583,040.37**
Shenchang Company (a)	**114,065,216.85**	**49,403,052.69**	**49,403,052.69**	**85,497,503.89**

	2016			
Name of subsidiaries	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
Shenchang Company (a)	–	–	–	–

(a) As Shenchang Company became the Company's subsidiary on 1 April, 2017. No comparative financial information for the previous period has been presented.

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

As at 31 December 2017, there was no substantial restriction which prohibited the usage of assets or the settlement of liabilities of the Group (31 December 2016: Nil).

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VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in joint ventures or associates

Particulars of the Company's associates are as follows:

	Place of incorporation	Place of issue	Principal activities	Issued capital	Percentage of shares held by the Company (%) Direct	Indirect	Accounting method
Consulting Company	Shenzhen City, Guangdong Province, China	Shenzhen City, Guangdong Province, China	Engineering consulting service	18,750,000.00	24	–	Equity method
Huayu Company	Shenzhen City, Guangdong Province, China	Shenzhen City, Guangdong Province, China	Toll road operation	150,000,000.00	40	–	Equity method
Jiangzhong Company	Guangdong Province, China	Guangzhou City, Guangdong Province, China	Toll road operation	1,045,000,000.00	25	–	Equity method
Nanjing Third Bridge Company	Nanjing City, Jiangsu Province, China	Nanjing City, Jiangsu Province, China	Toll road operation	1,080,000,000.00	25	–	Equity method
Yangmao Company	Guangdong Province, China	Guangzhou City, Guangdong Province, China	Toll road operation	200,000,000.00	25	–	Equity method
GZ W2 Company	Guangzhou City, Guangdong Province, China	Guangzhou City, Guangdong Province, China	Toll road operation	1,000,000,000.00	25	–	Equity method
Guangyun Company	Guangdong Province, China	Yunfu City, Guangdong Province, China	Toll road operation	10,000,000.00	30	–	Equity method
Guizhou Hengtongli	Longli County, Guizhou Province, China	Longli County, Guizhou Province, China	Real estate development	1,000,000.00	–	49	Equity method
United Land	Shenzhen City, Guangdong Province, China	Shenzhen City, Guangdong Province, China	Real estate development	5,000,000,000.00	49	–	Equity method
Bank of Guizhou	Guiyang City, Guizhou Province, China	Guiyang City, Guizhou Province, China	Financial service	7,199,389,101.79	3.78	–	Equity method
Derun Environment	Chongqing City, China	Chongqing City, China	Environment improvement and resources recovery	1,000,000,000.00	–	20	Equity method

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in joint ventures or associates (continued)

(1) Financial information of material associate

The material associate, Derun Environment, who focuses on environmental improvement and resources recovery, is the strategic partner of the Group. Derun Environment is accounted for using the equity method.A summary of Derun Environment's financial information which complied with the accounting policies of the Company is listed below:

	31 December 2017 Derun Environment (RMB)
Current assets	**11,518,143,607.92**
Non-current assets	**19,586,942,410.49**
Total assets	**31,105,086,018.41**
Current liabilities	**6,447,527,883.25**
Non-current liabilities	**5,162,902,935.19**
Total liabilities	**11,610,430,818.44**
Non-controlling interest	**9,164,870,193.15**
Equity attributable to owners of the parent	**10,329,785,006.82**
Net assets shared by proportion of equity holding	**2,065,957,001.36**
Adjustment items	**2,344,968,450.39**
Goodwill	**1,462,953,999.22**
Premium of appraisal on non-current assets	**882,014,451.17**
Book value of the equity investment	**4,410,925,451.75**

	From 6 June 2017 to 31 December 2017
Revenue	**4,987,708,159.18**
Income tax expense	**199,518,544.68**
Net profit/(loss)	**1,469,352,531.85**
Net profit/(loss) attributable to owners of the parent (Note.1)	**752,761,335.66**
Other comprehensive income	**16,027,935.88**
Post-tax other comprehensive income attributable to owners of the parent	**8,019,978.42**
Total comprehensive income	**1,485,380,467.73**
Dividend received	**119,600,000.00**

Note 1: The Group shares the net profit attributable to shareholders of the parent company of Derun Environment in proportion of 20%, and after deducting the premium of RMB24,594,765.16 for amortization of premiums for the year, the Group recognizes the investment income of RMB125,957,501.97 for Derun Environment. See details Note V.12.

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VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in joint ventures or associates (continued)

(2) Main financial information of joint ventures and associates that are not material

	2017	2016
Joint ventures:		
Total book value of investment	–	166,160,042.14
Sub-total amount of the following items calculated in the Group's equity proportion in joint ventures:		
– Net profit	7,079,749.78	25,059,890.94
– Total comprehensive income	7,079,749.78	25,059,890.94
Associates:		
Total book value of investment	4,653,326,829.16	4,537,121,464.03
Sub-total amount of the following items calculated in the Group's equity proportion in associates:		
– Net profit	356,178,859.17	281,035,636.48
– Other comprehensive income	-6,429,331.48	–
– Total comprehensive income	349,749,527.69	281,035,636.48
– Movement of capital reserve	16,465,915.52	

Except for the important associates listed in (1), during the current year, the directors of the Company considered that the Group has no material joint ventures or associates (2016: the same) as the investment income/(loss) from individual joint ventures or associates does not exceed 10% of the the Group's total profit for the respective period and, the net book value of long-term equity investments from joint ventures and associates do not exceed 5% of the total net asset of the Group at 31 December 2017.

(3) Explanation to substantial restriction on transferring funds between the Group and the joint ventures and associates

As at 31 December 2017, there's no substantial restriction on transferring funds between the Group and the joint ventures and associates (31 December 2016: Nil).

VIII. FINANCIAL INSTRUMENTS AND RISK

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

VIII. FINANCIAL INSTRUMENTS AND RISK (CONTINUED)

1. Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. The Group is exposed to foreign exchange risk arising from the recognised assets and liabilities, and future transactions denominated in foreign currencies (except for the long-term bond are denominated in USD, the Group's foreign currency assets, liabilities and transactions are mainly denominated in HKD).The Group's finance department at its headquarters is responsible for monitoring the amounts of assets and liabilities and transactions denominated in foreign currencies to mitigate foreign exchange risk.

The sensitivity of the Group's net profit due to the probably reasonable changes in the exchange rate, with the other variables remaining the same at the end of the reporting period, is as follows:

31 December 2017

	Exchange rate Increase/ (Decrease are listed with"-")	Net profit or loss Increase/ (Decrease are listed with"-")	Net income after other comprehensive income Increase/ (Decrease are listed with"-")	Total shareholders' equity Increase/ (Decrease are listed with"-")
Depreciation of RMB against USD	**10%**	**-115,074.72**	**–**	**-115,074.72**
Appreciation of RMB against USD	**-10%**	**115,074.72**	**–**	**115,074.72**
Depreciation of RMB against HKD	**10%**	**341,534.76**	**–**	**341,534.76**
Appreciation of RMB against HKD	**-10%**	**-341,534.76**	**–**	**-341,534.76**

31 December 2016

	Exchange rate Increase/ (Decrease are listed with"-")	Net profit or loss Increase/ (Decrease are listed with"-")	Net income after other comprehensive income Increase/ (Decrease are listed with"-")	Total shareholders' equity Increase/ (Decrease are listed with"-")
Depreciation of RMB against USD	10%	-882,941.39	–	-882,941.39
Appreciation of RMB against USD	-10%	882,941.39	–	882,941.39
Depreciation of RMB against HKD	10%	648,289.04	–	648,289.04
Appreciation of RMB against HKD	-10%	-648,289.04	–	-648,289.04

The Group pays attention to research on exchange rate risk management policies and strategies. To avoid the exchange rate risk of repayment of the principal and interest of bonds payable in USD, the Group entered into a forward foreign exchange contract with the bank. For details, please refer to Note V.2.

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VIII. FINANCIAL INSTRUMENTS AND RISK (CONTINUED)

2. Interest rate risk

The Group's interest rate risk mainly arises from interest-bearing long-term liabilities including long-term borrowings and short-term borrowings. Financial liabilities issued at floating rates exposed the Group to the risk of interest rate on cash flow. Financial liabilities issued at fixed rates exposed the Group to the risk of interest rate on fair value. The Group determines the relative proportions of its fixed rate and floating rate contracts based on the prevailing market conditions. As at 31 December 2017, the Group's long-term and short-term interest-bearing borrowings with floating rates amounted to RMB5,904,708,369.49 (31 December 2016: RMB1,882,224,000.00).

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 the current period, if interest rates calculated on the floating rate of interest-bearing liabilities had risen/fallen by 50 basis points while all other variables was stay constant, the Group's net profit and shareholder's equity would have decreased/increased by approximately RMB14,291,419.27 (for the same period in 2016: approximately RMB7,400,987.33).

3. Credit risk

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

The table below shows the bank deposits of the major counterparties of the Group as at the end of the reporting period:

Item	**31 December 2017**	31 December 2016
State-owned banks	**1,211,571,342.22**	3,226,558,755.70
Other banks	**1,298,991,318.98**	2,425,495,971.28
Total	**2,510,562,661.20**	5,652,054,726.98

The Group expected that there is no significant credit risk or any other significant loss arising from breach of contracts associated with bank deposits at state-owned banks, which gain funding support from government, and listed banks or commercial banks of medium or large size.

As at 31 December 2017, the Group's receivables due from the Shenzhen Government derived from entrusted management services, receivables due from government authorities in Guizhou Longli County relating to the Longli BT Project and Longli Resettlement (Phase II) Project and receivables due from Hunan Government relating to highway tolls were approximately RMB253 million in total and amounts due from related parties were approximately RMB246 million, amounting to RMB499 million (31 December 2016: RMB693 million) in aggregate. The directors of the Company considered that the related credit risks were controllable. The Group did not have other significant concentrations of credit risk arising from other customers.

VIII. FINANCIAL INSTRUMENTS AND RISK (CONTINUED)

4. Liquidity risk

Each subsidiary of the Group is responsible for its own cash flow forecast. The Group's finance department at its headquarter monitors the Group's short-term and long-term liquidity requirements based on the forecast from the subsidiaries to ensure that the Group has sufficient cash and securities that are readily convertible to cash. Meanwhile the Group will continuously monitor whether the Group meet the capital condition required from the borrowing agreements, in order to continually borrow sufficient cash from major financial institutions to satisfy the short-term and long-term cash demands.The financial assets and liabilities of the Group as at the end of the reporting period are analysed by their maturity date below at their undiscounted contractual cash flows:

	31 December 2017				
	Within 1 year	**1 to 2 years**	**2 to 5 years**	**Over 5 years**	**Total**
Financial liabilities –					
Short-term borrowings	**2,554,145,741.46**	**–**	**–**	**–**	**2,554,145,741.46**
Financial assets measured at fair value through profit or loss	**71,371,857.30**	**–**	**–**	**–**	**71,371,857.30**
Accounts payable	**348,257,339.46**	**–**	**–**	**–**	**348,257,339.46**
Interest payable	**66,673,607.13**	**–**	**–**	**–**	**66,673,607.13**
Other payables	**1,412,456,440.59**	**–**	**–**	**–**	**1,412,456,440.59**
Current portion of non-current liabilities (Note a)	**1,507,315,554.57**	**–**	**–**	**–**	**1,507,315,554.57**
Long-term borrowings	**179,437,793.36**	**493,301,172.10**	**2,741,356,951.18**	**3,045,368,022.07**	**6,459,463,938.71**
Bonds payable	**101,367,937.50**	**101,367,937.50**	**2,997,673,425.44**	**–**	**3,200,409,300.44**
Other non-current liabilities	**–**	**5,361,879,999.98**	**–**	**–**	**5,361,879,999.98**
Total	**6,241,026,271.37**	**5,956,549,109.58**	**5,739,030,376.62**	**3,045,368,022.07**	**20,981,973,779.64**

	31 December 2016				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial liabilities –					
Accounts payable	219,558,035.62	–	–	–	219,558,035.62
Interest payable	100,188,323.21	–	–	–	100,188,323.21
Other payables	2,402,502,005.41	–	–	–	2,402,502,005.41
Current portion of non-current liabilities (Note a)	1,909,595,067.32	–	–	–	1,909,595,067.32
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 payable	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	–	–	6,111,189,985.98	–	6,111,189,985.98
Total	4,847,857,407.91	1,164,727,825.05	9,245,281,632.60	1,880,171,910.61	17,138,038,776.17

Note a: Including the current portion of long-term borrowings, the current portion of bonds payable and the current portion of other non-current liabilities, excluding the current portion of provisions.

The Group obtains sufficient and steady operating cash flow and sufficient unutilised banking facilities, and the Group makes the appropriate financing arrangement to satisfy the need of repayment of debts and capital investments. As a result, the directors of the Company considered that there is no significant liquidity risk for the Company.

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VIII. FINANCIAL INSTRUMENTS AND RISK (CONTINUED)

5. Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, repurchase shares or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 31 December 2015.

The Group monitors capital using debt-to-asset ratio, which is total liabilities divided by total assets. The Group's debt-to-asset ratio as at the end of the reporting period was as follows:

Item	**31 December 2017**	31 December 2016
Total assets	**37,473,826,542.60**	32,384,844,447.16
Total liabilities	**21,699,259,902.62**	17,673,489,347.58
Debt-to-asset ratio	**57.91%**	54.57%

IX. FAIR VALUE DISCLOSURE

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised 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

IX. FAIR VALUE DISCLOSURE (CONTINUED)

1. Financial assets and liabilities measured at fair value

31 December 2017

	Fair value measurement using			
	Quoted price in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
Financial liabilities measured at fair value through profit or loss	**71,371,857.30**	**–**	**–**	**71,371,857.30**
Total	**71,371,857.30**	**–**	**–**	**71,371,857.30**

31 December 2016

	Fair value measurement using			
	Quoted price in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
Financial assets measured at fair value through profit or 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 liabilities measured at fair value through profit or loss held by the Group is determined based on the forward interest rate in the active markets as at 31 December 2017.

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

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IX. FAIR VALUE DISCLOSURE (CONTINUED)

2. Fair value disclosure of financial assets and liabilities not measured at fair value

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

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

	Carrying amount		Fair value	
	2017	2016	**2017**	2016
Financial liabilities				
Current portion of Long-term borrowings	**105,522,900.05**	99,200,000.00	**110,686,395.18**	97,332,822.71
Current portion of bonds payables	**898,753,113.06**	999,325,267.24	**918,228,727.46**	1,040,230,233.12
Current portion of other non-current liabilities (Note a)	**475,940,400.00**	459,050,000.00	**475,940,400.00**	459,050,000.00
Long-term borrowings	**4,979,185,469.44**	1,783,024,000.00	**4,579,354,429.68**	1,699,309,887.61
Bonds payable	**2,732,092,797.02**	3,742,863,939.90	**2,931,191,041.26**	3,935,190,028.06
Other non-current liabilities (Note a)	**5,361,879,999.98**	5,837,822,400.00	**5,361,879,999.98**	5,837,822,400.00
Total	**14,553,374,679.55**	12,921,285,607.14	**14,377,280,993.56**	13,068,935,371.50

Note a: The current portion and non-current portion of other non-current liabilities represents compensations received relating to the toll adjustment of Three Expressway.

The fair values of long-term borrowings and bonds payable with fixed interest rates not quoted in an active market are determined by the DCF method as being the present values of future cash flows, discounted at interest rates based on the comparable credit status and providing substantially the same cash flows with same terms.

X. RELATED PARTIES RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

1. General information of the parent company:

Name	Place of registration	Nature of business	Registered capital	Interest held	Voting rights
Shenzhen International	Bermuda	Investment holding	HKD2,000,000,000.00	51.237%	51.237%

The parent company of the company is Shenzhen international.Shenzhen investment holding co., LTD. ("Shenzhen investment holding company") is the controlling shareholder of shenzhen international.The Company's ultimate controlling party is SZ SASAC.

2. Information about subsidiaries

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

X. RELATED PARTIES RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

3. Information about joint ventures and associates

The information for joint ventures and associates is set out in Note VII.2.

Joint ventures and associates who have related party transactions with the Group during the year ended 31 December 2017 or have related party balances with the Group resulted from related party transactions in prior years are listed as follows:

Item	Relationship with the Group
Consulting Company	Associated Enterprises (1 December 2016 to 31 December 2017)
Huayu Company	Associated Enterprises
Nanjing Third Bridge Company	Associated Enterprises
GZ W2 Company	Associated Enterprises
Bank of Guizhou	Associated Enterprises

The Company consolidated Consulting Company into the consolidated financial statements from 1 January 2016 to 30 November 2016. From 1 December 2016 to 31 December 2017, Consulting Company was an associate of the Company.

4. Information about other related parties

Item	Relationship with the Group
Shenzhen Baotong Highway Construction and Development Limited ("Baotong Company")	Parent company's wholly-owned subsidiary
Shenzhen International Logistics Development Co., Ltd. ("Shenzhen International Logistics Company")	Parent company's wholly-owned subsidiary
Shenzhen Longda Expressway Company Limited ("Longda Company")	Fellow subsidiary
Shenzhen International South-China Logistics Co., Ltd. ("SC Logistics Company")	Fellow subsidiary
Flywheel Investments	Parent company's wholly-owned subsidiary
Guizhou Pengbo Investment Co., Ltd. (Guizhou Pengbo)	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
Changsha Ring Road Construction and Development Co., Ltd. ("Changsha Ring Road Company")	Others

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

5. Related party transactions

(1) Rendering or receiving of services

Receiving of services

Name of related party	Nature of transaction	2017	2016
Consulting Company (a)	Accepted project management services	**15,981,987.85**	17,150,206.50
United Electronic Company (b)	Receiving integrated toll system settlement services	**15,551,397.96**	16,385,481.26
Others (c)	Receiving power supply services and others	**720,381.13**	1,014,526.01

(a) Consulting Company has become a joint venture of the Group since 1 December 2016. The Group had entered into management service contracts with Consulting Company to provide for construction consulting and testing services for the Outer Ring project and other roads of the Group.

(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 toll 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 the 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. The respective transaction amounts were not disclosed as they are not material.

Rendering of services

Name of related party	Nature of transaction	2017	2016
Coastal Company (a)	Provide construction management services	**13,828,947.79**	-9,494,251.39
Coastal Company (b)	Provide construction consulting services	**–**	5,451,183.97
Guizhou Pengbo (c)	Provide construction management services	**2,027,727.39**	–
Others (d)	Supply water and electricity for office and others	**1,584,079.00**	1,523,893.51

(a) On 15 June 2016, the Coastal Company signed a supplementary contract of entrusted construction management agreement with the Company and entrusted the Company to complete the construction and operation of the Coastal Expressway Shenzhen Section project Phase II. Pursuant to the agreement, the management service revenue is calculated based on 1.5% of the construction budget and the Company would share 20% of any savings or would bear 20% of any over-expenditures of the total budgeted contract costs. During the year, the Company has recognized construction management services fee amounting to RMB13,828,947.79

(b) Consulting Company was the Company's subsidiary from 1 July 2015 to 30 November 2016, during which it provided services of engineering consulting to Coastal Company.

(c) On 9 September 2016, Shenzhen International Logistics Company signed a construction management contracts with Investment Company to relegate the construction management of the Guizhou comprehensive logistics harbor phase I project to Investment Company. The construction management services fee was RMB4,400,000.00. On 20 October 2016, Shenzhen International Logistics Company signed a construction management contract tripartite agreement with Guizhou Pengbo and Investment Company, enabling Guizhou Pengbo, the main body of the project, to take the place of Shenzhen International Logistics Co., Ltd. as one of the agents in the contract of generation contract and to undertake all obligatory performance bonds of Shenzhen International Logistics Co., Ltd. under the contract of construction agency.

(d) The Group provided Shenzhen international, Huayu Investment, Huayu Company, United Electronic Company and Consulting Company 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. The respective transaction amounts were not disclosed as they are not material.

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

5. Related party transactions(continued)

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

The Company's trusteeship is analysed as follows:

Entrusting party	Entrusted party	Type of entrustment	Date of the commencement of the trusteeship	Date of the termination of the trusteeship	The basis of pricing for the trusteeship	Entrusted revenue recognised in 31 December 2017
Baotong Company	The Company	Equity trusteeship	1 January 2016	31 December 2018	Negotiated price	16,981,132.08
Coastal Company	The Company	Equity trusteeship	1 January 2017	31 October 2017	Negotiated price	14,150,943.40

The Company was entrusted by Baotong Company to operate and manage Longda Expressway by an agreement of equity trusteeship. The Company has renewed the agreement and the trusteeship is extended to 31 December 2018. Pursuant to the agreement, the management service fee is RMB18 million per year including tax. During the year, the Company recognized revenue related to the transaction amounting to RMB16,981,132.08 (2016: RMB17,320,754.72).

On 30 December 2016, the Company has renewed the entrustment agreement and the trusteeship is extended to 31 December 2019. Pursuant to the agreement, the management service fee is RMB18 million per year including tax. During the year, the Company recognized revenue related to the transaction amounting to RMB14,150,943.40 (the same period in 2016: RMB50,943,396.23). As at 11 December 2017, the Company signed Equity Acquisition Agreement with Shenzhen Investment Holding Company, agreed to acquire a 100% equity in Coastal Company. The follow-up arrangements of the Equity Acquisition Agreement with respect to the entrusted operation and management of the Coastal Company are as follows: Coastal Company should pay the Company an entrusted operation management fee as of the acquisition base date (13 October 2017) of RMB15,000,000.00 (including tax price). The agreement was approved by extraordinary shareholders' meeting on 8 February 2018, and the entrustment agreement between the Company and Coastal Company was officially terminated.

(3) Leases

As a Lessor:

Item	Assets leased	2017	2016
United Electronic Company and Consulting Company and Coastal Company	Office building	**345,130.18**	519,431.17

As a Lessee:

Item	Assets leased	2017	2016
Longda Company, Huayu Company, SC Logistics Company, Xin Tong Chan Company and Coastal Company	Billboard land use rights	**2,940,669.21**	1,681,761.86

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

* The related transactions mentioned above in the item (1) to (3) are also composed of the connected transactions or continuing connected transactions that defined in Chapter 14A of Hong Kong Listing Rules.

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

5. Related party transactions(continued)

(4) Remuneration of key management personnel

Item	31 December 2017	31 December 2016
Remuneration of key management personnel	**15,029,253.84**	11,790,913.12

Key management personnel include directors, supervisors and senior management personnel. The Company has a total of 21 key management personnel (2016: 20) during the year.

(a) Remuneration of Directors and Supervisors

The remuneration of each director and supervisor in 2017 is as follows:

Name	Remuneration	Wages	Bonuses	Total
Hu Wei*	**–**	**708,000.00**	**776,000.00**	**1,484,000.00**
Wu Yade*	**–**	**588,000.00**	**847,000.00**	**1,435,000.00**
Wang Zengjin*	**–**	**526,000.00**	**789,000.00**	**1,315,000.00**
Liao Xiangwen*	**–**	**526,000.00**	**784,000.00**	**1,310,000.00**
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	**71,129.00**	**–**	**–**	**71,129.00**
Cai Shuguang	**109,355.00**	**–**	**–**	**109,355.00**
Xin Jian*	**–**	**162,000.00**	**216,000.00**	**378,000.00**

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

Name	Remuneration	Wages	Bonuses	Total
Hu Wei*	–	708,000.00	523,000.00	1,231,000.00
Wu Yade*	–	588,000.00	497,000.00	1,085,000.00
Wang Zengjin*	–	526,000.00	312,000.00	838,000.00
Liao Xiangwen*	–	492,000.00	475,000.00	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*	–	154,000.00	107,000.00	261,000.00

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

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

5. Related party transactions(continued)

(4) Remuneration of key management personnel (continued)

(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, Cai Shuguang and supervisors Zhong Shanqun, Liang Xin and Xin Jian's the meeting allowance (before tax) is RMB11,000.00, RMB11,000.00, RMB13,000.0, RMB10,000.00, RMB6,000.00, RMB8,500.00, RMB11,000.00, RMB9,500.00, RMB17,400.00, RMB12,180.00, RMB13,340.00, RMB8,060.00, RMB6,500.00, RMB7,440.00 and RMB10,350.00. 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 RMB132,000.00 (2016: RMB121,000.00), RMB127,000.00 (2016: RMB120,000.00), RMB112,000.00 (2016: RMB119,000.00), RMB122,000.00 (2016: 116,000.00) and RMB46,000.00 (2016: 45,000.00).

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 RMB79,000.00 (2016: RMB72,000.00), RMB79,000.00 (2016: RMB72,000.00), RMB100,000.00 (2016: 133,000.00), RMB99,000.00 (2013: 132,000.00) and RMB74,000.00 (2016: 76,000.00).

(b) The top five paid of management team

During the year, the top five remunerations of the Group included four directors (2016: 3 directors) whose remuneration was reflected in the above table; the total amount of the other one (2016: 2) remuneration amounts are as follows:

	2017	2016
Basic salary, bonus, housing subsidy and other subsidies	**1,421,000.00**	2,173,000.00
Pension	**122,000.00**	246,000.00
Total	**1,543,000.00**	2,419,000.00

	Number of individuals	
	2017	2016
Salary range:		
HKD0 to 1,000,000	**–**	–
HKD1,000,000 to 1,500,000	**–**	2
HKD1,500,00 to 2,000,000	**1**	–

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

6. Receivables due from and payables to related parties

(1) Receivable items

Item	Related parties	31 December 2017		31 December 2016	
		Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Accounts receivable	Coastal Company	–	–	281,255,696.39	–
Long-term receivable	Coastal Company	241,868,601.95	–	–	–
Accounts receivable	Baotong Company	2,295,854.23	–	2,295,854.23	–
Accounts receivable	Guizhou Pengbo	1,000,382.99	–	–	–
Other receivables	Longda Company	110,000.00	–	110,000.00	–
Other receivables	Changsha Ring Road Company	88,556.58	–	–	–
Other receivables	Huayu Company	20,000.00	–	20,000.00	–
Other receivables	Consulting Company	84,050.00	–	84,050.00	–
Advances to related parties	Consulting Company	7,205,066.30	–	7,180,105.20	–
Other non-current assets	Shenzhen investment holding company	1,472,000,000.00	–	–	–

(2) Payable items

Item	Related parties	31 December 2017	31 December 2016
Accounts payable	Consulting Company	1,133,668.52	504,712.30
Accounts payable	United Electronic Company	120,420.00	113,747.32
Accounts payable	Coastal Company	60,000.00	35,000.00
Accounts payable	Huayu Company	23,000.00	15,000.00
Accounts payable	SC Logistics Company	1,600.00	4,500.00
Accounts payable	Xin Tong Chan Company	–	2,000.00
Accounts payable	Longda company	13,668.00	–
Advances from related parties	Coastal Company (Phase II)	19,378,599.38	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	4,196,531.79	33,526,376.43
Other payables	Consulting Company	10,677,174.21	13,664,819.12
Other payables	Shenzhen International Logistics Company	–	815,687.07
Other payables	United Electronic Company	201,576.49	480,523.61
Other payables	Coastal Company	557,833.02	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

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

7. Commitments to related party

The following table represents the commitment that had been contracted but not yet recognized on the statement of financial position:

(1) Receiving service

	31 December 2017	31 December 2016
Consulting Company	**89,651,694.04**	92,877,082.50

(2) Investment commitments

On 31 December 2017, there was no investment commitments to related parties. (31 December 2016: Nil).

(3) Equity acquisition commitments

On 11 December 2017, the Company entered into an equity transfer agreement with Shenzhen investment holding company, The Company acquired a 100% equity interest in Coastal Company at a consideration of RMB1,472,000,000.00. For details information is set out in Note XII.1.

XI. COMMITMENTS AND CONTINGENCIES

1. Significant commitments

(1) Capital commitments

(a) Capital commitments approved by management but not yet contracted at the end of the reporting period:

	31 December 2017	31 December 2016
Expressway construction projects	**3,072,401,347.72**	3,056,514,408.84

(b) Capital commitments contracted by the management but not provided for at the end of the reporting period:

	31 December 2017	31 December 2016
Highway development projects & Real estate	**2,596,485,259.79**	3,520,138,579.35

(2) Investment commitment

As at 31 December 2017, the investment commitment of the Group was RMB1,200,000,000.00 (31 December 2016: Nil), under which the Company commit to participate in initiating the establishment of an investment and M & A fund. The board of directors of the Company held a meeting on 18 August 2017 to review the "Proposal on Establishing a Transportation Environmental Protection Investment M & A Fund" and approved the development plan of the Company in the investment and M & A fund. As of 31 December 2017, the Company (including its controlled subsidiaries) did not sign any contract for the M & A Fund and there was no specific plan for setting up, raising and investing M & A funds.

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XI. COMMITMENTS AND CONTINGENCIES (CONTINUED)

1. Significant commitments (continued)

(3) Significant operating lease

Under the lease contract with the lessor, the minimum lease payments for the non-cancellable lease are as follows:

	31 December 2017	31 December 2016
Within 1 year (including 1 year)	**13,232,481.31**	11,863,518.60
1 year to 2 years (including 2 years)	**11,264,760.00**	7,514,467.80
2 years to 3 years (including 3 years)	**9,477,770.22**	4,961,250.00
Over 3 years	**11,213,045.16**	16,422,357.65
Total	**45,188,056.69**	40,761,594.05

2. Contingencies

(1) Significant contingencies at the end of the reporting period:

(a) The Company was entrusted by the Shenzhen Committee of the Exchange to manage Nanping Project Phase II. According to the contractual construction entrusted management contract, the Company has provided the Shenzhen Committee of the Exchange with Irrevocable Performance Bank Guarantee of RMB15,000,000.00.

(b) The Company was entrusted by Shenzhen Longhua New District Construction Service Management Center to construct Longda Expressway Interchange and Dezheng Road Eastward Extension Section of Longzheng New District of Shenzhen City. Pursuant to the contractual joint venture management contract, the Company has provided Irrevocable Performance Bank Guarantee of RMB35,850,000.00 to Shenzhen Longhua New District Construction Service Management Center.

(c) The Company was entrusted by the Longhua District Construction and Works Bureau of Shenzhen to construct a "dual upgrade" comprehensive road improvement project – Da Fu Road (Gui Yue Lu – Gui Xiang Road project) and Jianshe Road (Braong Road – East Second Ring Road) and Longhua District Golf Boulevard (Guanlan Avenue – Huanguan nan Road) renovation project. According to the term of the entrustment management contract, the Company has provided non-cancellable performance bank guarantee letter of RMB50,170,000.00 to Longhua District Construction and Engineering Bureau of Shenzhen.

(d) As at 30 December 2017, the Group provided a stage-and-combined liability guarantee of approximately RMB416,180,000.00 to the bank for its home loans granted by the bank to the Group's property buyers. Under the terms of the guarantee, the Group is responsible for paying the outstanding mortgage loans and any accrued interest and penalties owed to the banks by the buyers in arrears if the buyers default in the mortgage payments what the Group can then receive legal ownership of the property. The Group's guarantee period expires from the date on which the bank granted the mortgage loan to acquire certain individual property ownership certificates from property buyers of the Group. In the opinion of the directors, provision for these guarantees is not provided for in arrears if the net realizable value of the properties is sufficient to cover the outstanding mortgage loans, together with any accrued interest and penalties.

(e) The Company was entrusted by Shenzhen Guangshen Coastal Expressway Investment Co., Ltd. to construct the Guangdong Coastal Expressway Construction Project. Pursuant to the contractual management contract for the construction of the Project, the Company has provided irrevocable performance bank guarantee of RMB100,000,000.00 to Guangshen Coastal Expressway Investment Co., Ltd.

XII. EVENTS AFTER THE END OF THE REPORTING PERIOD

1. As at 11 December 2017, the Company signed Equity Acquisition Agreement of Coastal Company with Shenzhen Investment Holding Co., LTD, agreed acquiring 100% equity of Coastal Company by RMB1,472,000,000.00. Coastal Company completed the amendment of industrial and commercial registration on 12 December 2017 and the Company made full payment of consideration on 27 December 2017. The acquisition was approved by shareholders on 8 February and the transfer of equity completed on the same day.

2. Pursuant to the board resolution on 23 March 2018, the board of directors proposed a cash dividend of RMB0.3 per share for the year ended 31 December 2017 (2016: RMB0.22 per share). Subject to the issued shares of 2,180,770,326 shares, the Company intends to distribute cash dividend of RMB654,231,097.80. The proposed final dividends for the year are subject to the approval of the Company's shareholders at the forthcoming annual general meeting. The proposed dividend accounted for 45.9% of the Company's net profit for the year ended 31 December 2017.

XIII. OTHER SIGNIFICANT MATTERS

1. Segment information

(1) The recognition and accounting policies of reportable segments:

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

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

Other businesses principally comprise the provision of construction management services, advertising services, property development and other services. The Group has no inter-segment transfers. These businesses cannot be separated into reportable segments.

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XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

1. Segment information (continued)

(2) Segment information

2017	Toll road	Others	Unallocated	Total
Revenue from external customers	4,284,638,268.59	551,982,565.30	–	4,836,620,833.89
Cost of service	2,120,178,982.49	378,463,450.33	–	2,498,642,432.82
Interest income	20,021,715.93	13,184,336.04	11,384,524.29	44,590,576.26
Interest expenses	725,681,091.62	1,569,452.05	–	727,250,543.67
Share of profits of associates and joint ventures	253,267,236.25	235,948,874.67	–	489,216,110.92
Asset impairment loss	–	450,000.00	–	450,000.00
Depreciation and amortisation	1,409,697,909.12	17,058,101.44	6,408,596.91	1,433,164,607.47
Total profit	1,726,345,779.10	336,598,656.51	-147,299,732.07	1,915,644,703.54
Income tax expense	341,817,646.40	27,825,708.01	–	369,643,354.41
Net profit	1,384,528,132.70	308,772,948.50	-147,299,732.07	1,546,001,349.13
31 December 2017				
Total assets	27,698,603,318.16	9,630,931,311.18	144,291,913.26	37,473,826,542.60
Total liabilities	20,853,854,073.18	568,737,351.30	276,668,478.14	21,699,259,902.62
2017				
Long-term equity investments in associates and joint ventures	1,305,555,065.88	7,758,697,215.03	–	9,064,252,280.91
Addition of non-current assets other than financial assets, long-term equity investments and deferred tax assets	4,219,269,135.77	7,401,396.47	1,016,971.69	4,227,687,503.93

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
Share of profits of associates and joint ventures	244,888,848.53	61,206,678.89	–	306,095,527.42
Depreciation and amortisation	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
31 December 2016				
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
2016				
Long-term equity investments in associates and joint ventures	1,442,911,998.30	3,260,369,507.87	–	4,703,281,506.17
Addition 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

(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 the PRC. The Group did not generate revenue for any customer that reached or exceeded 10% of the Group's revenue.

XIV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

1. Accounts receivables

Trade receivables are interest free with a credit period of one to six months in general.

(1) Accounts receivable are analysed by category as follows:

	31 December 2017					31 December 2016				
	Ending balance		Provision for bad debts			Ending balance		Provision for bad debts		
Category	Amount	%	Amount	%	Net book amount	Amount	%	Amount	%	Net book amount
Individually significant and provision separately made	-	-	-	-	-	–	–	–	–	–
Provision made collectively	111,130,176.03	100.00	-	-	111,130,176.03	463,878,267.64	100.00	–	–	463,878,267.64
– Group 1	91,908,589.23	82.70	-	-	91,908,589.23	451,429,372.53	97.32	–	–	451,429,372.53
– Group 2	19,221,586.80	17.30	-	-	19,221,586.80	12,448,895.11	2.68	–	–	12,448,895.11
Not individually significant but provision separately made	-	-	-	-	-	–	–	–	–	–
Total	111,130,176.03	100.00	-	/	111,130,176.03	463,878,267.64	100.00	–	/	463,878,267.64

An aging analysis of the accounts receivable in Group 2 is as follows:

	31 December 2017			31 December 2016		
Aging	Accounts receivable	Provision for bad debts	% of total balance	Accounts receivable	Provision for bad debts	% of total balance
Within 1 year	19,221,586.80	–	–	12,448,895.11	–	–
Total	19,221,586.80	–	–	12,448,895.11	–	–

(2) The aggregate balance of the five largest closing balances of account receivable from the debtors:

	Ending balance	Provision for bad debts	% of accounts receivable
Total balance of the five largest aggregate accounts at 31 December 2017	**97,178,881.57**	**–**	**87.45%**
Total balance of the five largest aggregate accounts at 31 December 2016	443,734,604.22	–	95.66%

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

	31 December 2017	31 December 2016
Within 1 year	**65,918,250.58**	46,530,254.47
1 to 2 years	**19,135,061.63**	42,662,541.48
2 to 3 years	**17,996,997.69**	258,731,262.15
Over 3 years	**8,079,866.13**	115,954,209.54
Sub-total	**111,130,176.03**	463,878,267.64

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

2. Other receivables

(1) Other receivables are analysed by category as follows:

	31 December 2017					31 December 2016				
	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	369,260,529.15	100.00	–	–	369,260,529.15	1,542,710,679.60	100.00	–	–	1,542,710,679.60
– Group 1	367,132,493.94	99.42	–	–	367,132,493.94	1,535,368,510.65	99.52	–	–	1,535,368,510.65
– Group 2	2,128,035.21	0.58	–	–	2,128,035.21	7,342,168.95	0.48	–	–	7,342,168.95
Not individually significant but provision separately made	–	–	–	–	–	–	–	–	–	–
Total	369,260,529.15	100.00	–	–	369,260,529.15	1,542,710,679.60	100.00	–	/	1,542,710,679.60

An aging analysis of the other receivables in Group 2 is as follows:

	31 December 2017			31 December 2016		
Aging	Accounts receivable	Provision for bad debts	% of total balance	Accounts receivable	Provision for bad debts	% of total balance
Within 1 year	**2,029,385.21**	–	–	7,335,518.95	–	–
1 to 2 years	**92,000.00**	–	–	–	–	–
2 to 3 years	–	–	–	6,650.00	–	–
Over 3 years	**6,650.00**	–	–	–	–	–
Total	**2,128,035.21**	–	–	7,342,168.95	–	–

The nature of other receivables from third party with an age of more than 3 years should be the deposit and quality assurance. According to the Group's accounting policy III.10 (2), no provision for bad debts should be made for this type of receivables.

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

Nature	31 December 2017	31 December 2016
Advances	**203,328,914.01**	337,646,761.52
Loans to related companies	**163,333,335.00**	1,198,333,335.00
Others	**2,598,280.14**	6,730,583.08
Total	**369,260,529.15**	1,542,710,679.60

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

2. Other receivables (continued)

(3) As at 31 December 2017, the five largest other receivables are analysed as follows:

31 December 2017

Categories	Nature	31 December 2017	aging	% of total balance	Balance of provision for bad debts
Mei Wah Company	Advances	201,664,855.33	Within 3 years	54.61	–
Qinglong Company	Loans	100,000,000.00	Within 1 year	27.08	–
Yichang Company	Loans	45,000,000.00	Within 1 year	12.19	–
Qinglian Company	Loans	18,333,335.00	Within 1 year	4.96	–
Qinglian Company	Advances	1,048,952.58	Within 1 year	0.28	–
Total	/	366,047,143.91	/	99.12	–

31 December 2016

Categories	Nature	31 December 2016	aging	% of total balance	Balance of provision for bad debts
Qinglong Company	Loans	1,070,000,000.00	Within 1 year	69.36	–
Mei Wah Company	Advances	201,748,218.59	Within 3 years	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	–
The Government of Longhua District, Shenzhen	Advances	54,353,901.07	Within 1 year	3.52	–
Total	/	1,513,495,155.03	/	98.11	–

(4) The aging of other receivables according to the recognition date is analysed below:

	31 December 2017	31 December 2016
Within 1 year	161,899,026.42	1,339,786,018.69
1 to 2 years	4,585,449.32	200,071,471.32
2 to 3 years	200,071,471.32	10,596.27
Over 3 years	2,704,582.09	2,842,593.32
Sub-total	369,260,529.15	1,542,710,679.60

Notes to Financial Statements

31 December 2017
(All amounts in RMB unless otherwise stated)

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

3. Long-term equity investments

	31 December 2017			31 December 2016		
Item	Carrying amount	Impairment provided in current period	Net book amount	Carrying amount	Impairment provided in current period	Net book amount
Subsidiaries	**10,536,389,637.88**	**678,765,149.21**	**9,857,624,488.67**	5,298,222,702.65	678,765,149.21	4,619,457,553.44
Joint ventures and associates	**4,611,060,899.65**	**–**	**4,611,060,899.65**	4,661,015,576.66	–	4,661,015,576.66
Total	**15,147,450,537.53**	**678,765,149.21**	**14,468,685,388.32**	9,959,238,279.31	678,765,149.21	9,280,473,130.10

(1) Investments in subsidiaries

Investee	31 December 2016	Additional injection	Transfer in from consolidation	Decrement of the period	31 December 2017	Cash dividend declared	Impairment provided on December 2017
Airport-Heao Eastern Company	724,299,958.20	–	–	106,728,592.72	**617,571,365.48**	325,860,432.61	–
Meiguan Company	530,345,339.27	–	–	2,143,761.05	**528,201,578.22**	3,617,215.71	–
Qinglong Company	164,269,052.70	–	–	62,791,855.54	**101,477,197.16**	52,888,738.20	–
Advertising Company	3,325,000.01	–	–	–	**3,325,000.01**	53,619,155.75	–
Mei Wah Company	831,769,303.26	–	–	–	**831,769,303.26**	–	–
Qinglian Company	1,385,448,900.00	–	–	–	**1,385,448,900.00**	–	678,765,149.21
Outer Ring Company	100,000,000.00	–	–	–	**100,000,000.00**	–	–
Expressway Investment Company	380,000,000.00	–	–	–	**380,000,000.00**	–	–
Environment Company	500,000,000.00	3,960,000,000.00	–	–	**4,460,000,000.00**	–	–
Shenzhen Expressway Operation Development Co., LTD	–	28,500,000.00	–	–	**28,500,000.00**	–	–
Shenchang Company	–	–	162,181,479.19	39,350,334.65	**122,831,144.54**	–	–
Yichang Company	–	1,270,000,000.00	–	–	**1,270,000,000.00**	–	–
Construction and Development Company		28,500,000.00	–	–	**28,500,000.00**	–	–
Total	4,619,457,553.44	5,287,000,000.00	162,181,479.19	211,014,543.96	**9,857,624,488.67**	435,985,542.27	678,765,149.21

(2) Investments in joint ventures and associates

The detailed information about joint ventures and associates is set out in Note V.12. Except for the investments in associates namely Guizhou Hengtongli Property Company and Derun Environment, other investments in associates are held by the Company.

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

4. Revenue and costs of services:

Item	31 December 2017		31 December 2016	
	Revenue	Cost	Revenue	Cost
Main businesses	**1,362,216,021.17**	**497,496,386.41**	1,284,475,356.04	458,284,001.08
Other businesses	**100,114,605.54**	**56,413,125.69**	124,786,182.52	120,232,501.02
Total	**1,462,330,626.71**	**553,909,512.10**	1,409,261,538.56	578,516,502.10

5. Investment income

Item	2017	2016
Income from long-term equity investments under the cost method	**435,985,542.27**	453,489,241.84
Income from long-term equity investments under the equity method	**363,258,608.95**	312,416,068.38
Income from financial products	**7,124,058.32**	13,548,897.86
Investment income from financial assets available-for-sale	**5,400,000.00**	38,200,000.00
After the loss of control, the remained equity measured at fair value	**–**	4,631,456.93
Investment loss from foreign exchange swap	**-850,968.84**	–
Total	**810,917,240.70**	822,285,665.01

Supplementary Information

31 December 2017
(All amounts in RMB unless otherwise stated)

1. DETAILED LIST OF NON-RECURRING PROFIT OR LOSS ITEMS

Item	Amount	Note
Gains from shares held before combinations involving enterprises not under common control measured at fair value	27,504,389.73	In the current year, Shenchang Company was included in the consolidated financial statements as an entity not under common control. Gain or loss arising from equity shares acquired before the acquisition date was recalculated per fair value.
Income from entrusted management services	30,907,924.54	Income from entrusted management services provided to Coastal Company and Longda Company in current period.
The Amortisation of compensation provided by concession grantor	23,026,646.05	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	7,581,799.16	
Loss on maturity of foreign exchange swap contract	-850,968.84	As at 27 July 2017, the Group close out a position of a foreign exchange swap contract due to maturity.
Gain on change in the fair value of the foreign exchange swap business	-146,363,175.07	To mitigate the exchange rate risk, the Group entered into foreign exchange swap businesses for the bond with principal value of 300 million dollar, and related losses on change in fair value were recognized during the current period.
Interest income accrued from loan to a non-financial entity	2,209,701.24	
Loss on interest income of Meiguan Expressway fee adjustment and facility construction compensation project due to audit adjustment	-2,882,469.78	In the current year, Government Investment Audit Professional Bureau of Shenzhen Audit Bureau released the audit result on Meiguan Expressway fee adjustment and facility construction compensation project. The final amount of the compensation and the interest income of related long-term receivable were deducted based on the audit result.
Loss on Meiguan Expressway fee adjustment and facility construction compensation project due to audit adjustment	-43,695,332.04	In the current year, Government Investment Audit Professional Bureau of Shenzhen Audit Bureau released the audit result on Meiguan Expressway fee adjustment and facility construction compensation project. The final amount of the compensation was deducted based on the audit result.
Gain on disposal of assets	24,970,581.93	Gain on disposal of assets other than loss on Meiguan Expressway fee adjustment and facility construction compensation project due to audit adjustment.
Other profit or loss items that meet the definition of non-recurring profit or loss	7,205,738.40	
Impact of income tax	28,622,196.84	
Impact of minority interests	-731,183.13	
Total	-42,494,150.97	

1. DETAILED LIST OF NON-RECURRING PROFIT OR LOSS ITEMS (CONTINUED)

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

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

2. RETURN ON NET ASSETS AND EARNINGS PER SHARE

2017

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	**10.88**	**0.654**	**0.654**
Net profit after deducting non-recurring profit or loss attributable to ordinary owners of the Company	**11.19**	**0.674**	**0.674**

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

Company Profile

I. Company Profile

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

II. Contact Information

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

III. General Information

Registered address	Fumin Toll Station, Fucheng Street, Longhua District, Shenzhen (Postal Code: 518110)
Place of business	Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen (Postal Code: 518026)
Website	http://www.sz-expressway.com
E-mail	ir@sz-expressway.com
Principal place of business in Hong Kong	Room 1603, 16/F, China Building, 29 Queen's Road Central, Hong Kong Tel: (852) 2543 0633 Fax: (852) 2543 9996

IV. Information Disclosure and Site for Inspection

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

V. Security Profile

Type of securities	Listing exchange	Abbreviation	Security code
A Share	The Shanghai Stock Exchange	Shenzhen Expressway	600548
H Share	The Stock Exchange of Hong Kong Limited	Shenzhen Expressway	00548
Bond	The Stock Exchange of Hong Kong Limited	SZEW B2107	5684

VI. Other Information

Auditor	Ernst & Young Hua Ming LLP Level 16, Ernst & Young Tower Oriental Plaza No.1 East Chang An Avenue Dong Cheng District Beijing, China Signing auditor: XIE Feng Eric, DENG Dongmei Novial
PRC legal adviser	Guangdong Junyan Law Firm Room C, 10th Floor, Block 5 Dachong International Centre, Huarun, Shennan Street, Nanshan District, Shenzhen, China
Hong Kong legal adviser	Loong & Yeung, Solicitors Room 1603, 16/F, China Building, 29 Queen's Road Central, Hong Kong
Domestic share registrar and transfer office	China Securities Depository and Clearing Corporation Limited, Shanghai Branch 36/F, China Insurance Building, 166 Lujiazui Road East, Pudong New District, Shanghai
Share registrar and transfer office in Hong Kong	Hong Kong Registrars Limited 46/F, Hopewell Centre, 183 Queen's Road East, Hong Kong
Investor relations consultant of A Shares	Everbloom Investment Consultant Company Limited Room 3801-3803, Rongchao Trade Centre, 4028 Jintian Road, Futian District, Shenzhen
Investor relations consultant of H Shares	Wonderful Sky Financial Group 6/F, Nexxus Building, No. 41 Connaught Road Central, Hong Kong
Principal banks	China Development Bank Industrial and Commercial Bank of China China Merchants Bank

Company Information

VII. Project Information (as at March 2018)

Toll highway	Interest held by the Company	Location	Toll mileage (km)	No. of lanes	Status	The expiry date of toll concession period
Meiguan Expressway	100%	Shenzhen	5.4	8	Under operation	2027.03
Jihe East	100%	Shenzhen	23.7	6	Under operation	2027.03
Jihe West	100%	Shenzhen	21.8	6	Under operation	2027.03
Yanba Expressway(1)	100%	Shenzhen	29.1	6	Under operation	Section A: 2026.04 Section B: 2028.07 Section C: 2035.03
Shuiguan Expressway	50%	Shenzhen	20.0	10	Under operation	2027.02
Shuiguan Extension	40%	Shenzhen	6.3	6	Under operation	2027.02
Yanpai Expressway(1)	100%	Shenzhen	15.6	6	Under operation	2027.03
Nanguang Expressway(1)	100%	Shenzhen	31.0	6	Under operation	2033.01
Coastal Project(2)	100%	Shenzhen	36.6	8	Coastal Phase I: under operation Coastal Phase II: under construction	2038.12
Outer Ring Project	100%	Shenzhen	60.0	6	Under construction	–
Yangmao Expressway	25%	Guangdong	79.8	4	Under operation	2027.07
Guangwu Project	30%	Guangdong	37.9	4	Under operation	2027.11
Jiangzhong Project	25%	Guangdong	39.6	4	Under operation	2027.08
GZ W2 Expressway	25%	Guangdong	40.2	6	Under operation	2030.12
Qinglian Expressway	76.37%	Guangdong	216.0	4	Under operation	2034.07
Wuhuang Expressway	100%	Hubei	70.3	4	Under operation	2022.09
Yichang Project(3)	100%	Hunan	78.3	4	Under operation	2033.12
Changsha Ring Road	51%	Hunan	34.7	4	Under operation	2029.10
Nanjing Third Bridge	25%	Jiangsu	15.6	6	Under operation	2030.10

Note:

(1) Pursuant to the agreement between the Company and Transport Commission, the toll of Nanguang Expressway, Yanba Expressway and Yanpai Expressway has been adjusted since 7 February 2016.During the first phrase up to 31 December 2018, the Company will retain its fee entitlement right and be responsible for the maintenance and repair of the Three Projects, and will implement toll-free for the Three Projects in exchange for cash compensation from the Transport Commission. For details, please refer to the announcements of the Company dated 2 December 2015 and 1 February 2016.

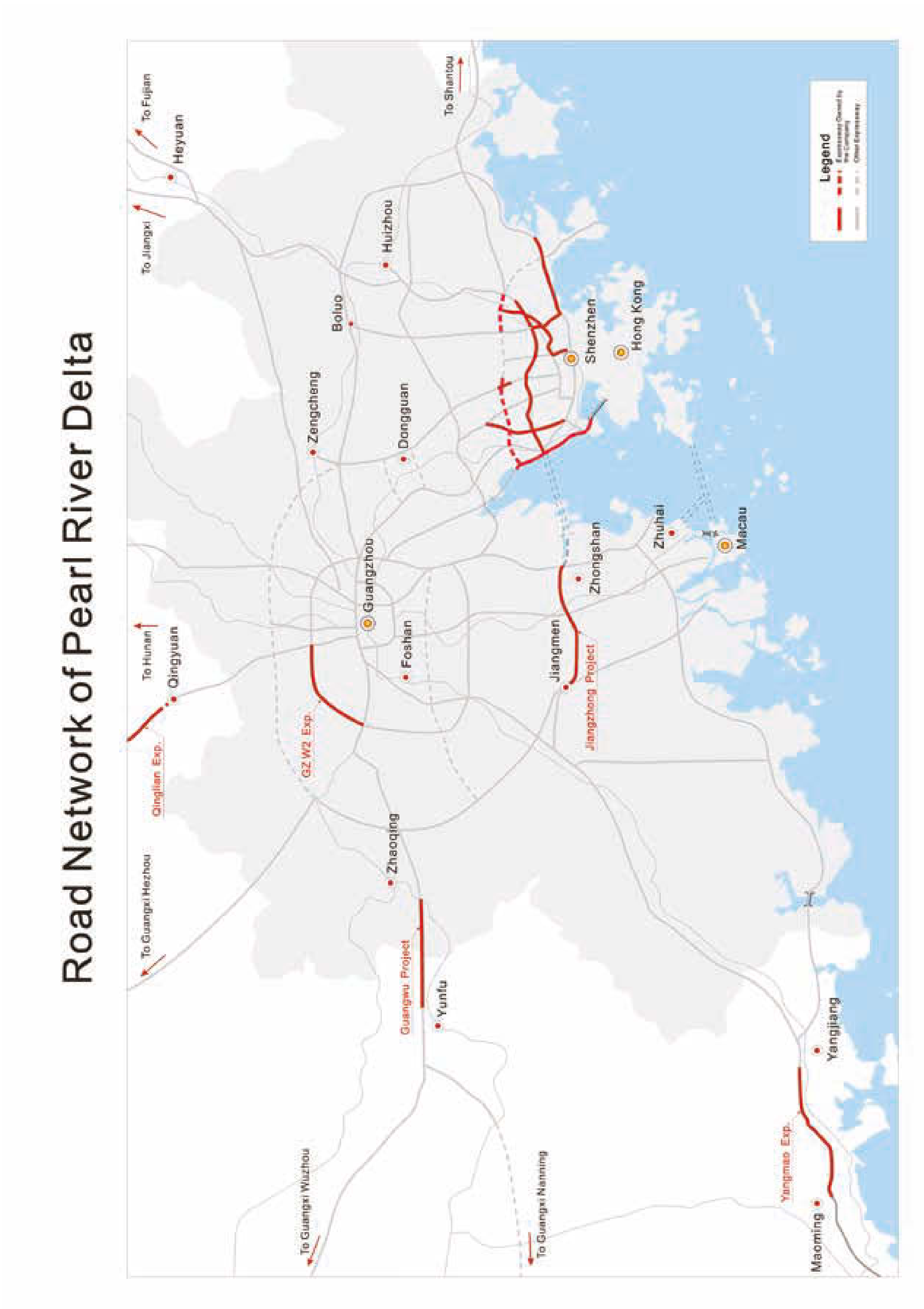
(2) The Company entered into the acquisition agreement in relation to the acquisition of 100% equity interests in Coastal Project on 11 December 2017, which was approved by the general meeting of the Company held on 8 February 2018. For details, please refer to the announcements of the Company dated 11 December 2017 and 8 February 2018.

(3) The Company acquired 100% equity interests in Yichang Project in January 2017. For details, please refer to the announcement of the Company dated 20 January 2017.

(4) For detailed information, toll fees, historical operational data of above projects, and road network of peripheral area of the above projects, please refer to the column “Toll Roads & Bridges” under “Company Business”, “Operational Statistics” under “Investor Relations” and “IR Materials” under “Investor Relations” in the website of the Company at http://www.sz-expressway.com.

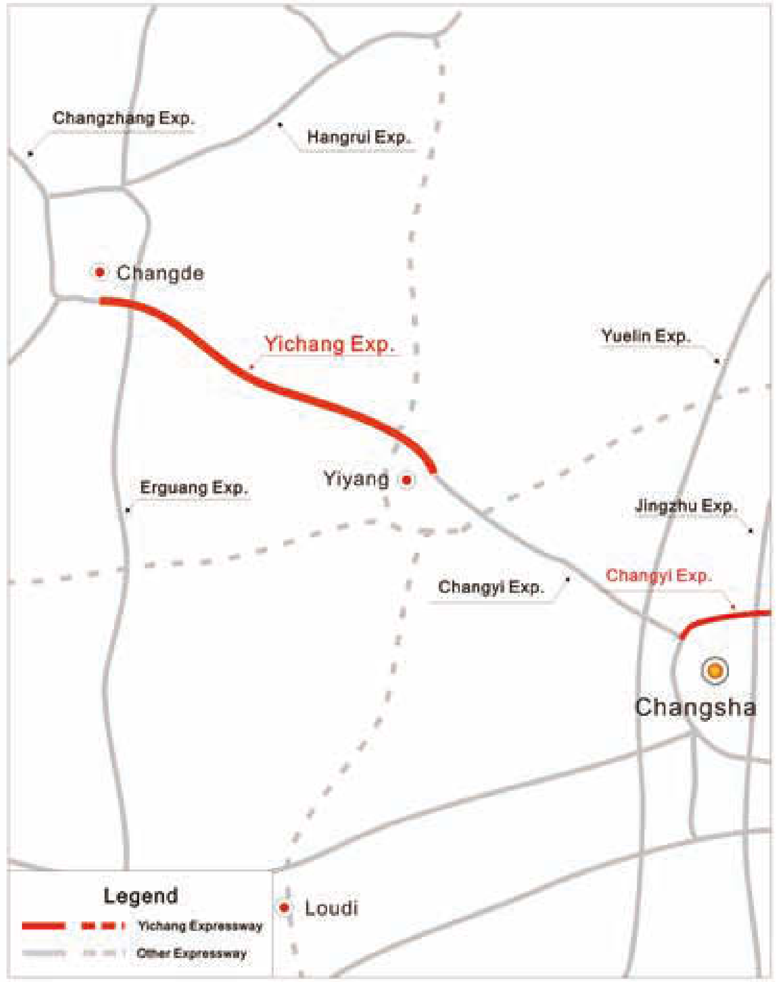
Road Network of Shenzhen

Company Information



Road Network of Qinglian Expressway

Road Network of Yichang Expressway



Company Information

Road Network of Wuhuang Expressway

Road Network of Nanjing Third Bridge

Road Network of Changsha Ring Road

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

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