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))

2019

INTERIM 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 interim report and that there are no false representations or misleading statements contained in or material omissions from this report, and assume several and joint legal responsibility.

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, 2019 Interim, the Period	For the six months ended 30 June 2019.
Reporting Date	The date on which Interim Report 2019 of the Company is approved by the Board, i.e. 23 August 2019.
YOY	Year-on-year change as compared to 2018 Interim or the same period of 2018.
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.
NDRC	中華人民共和國國家發展和改革委員會 (National Development and Reform Commission).
MOT	中華人民共和國交通運輸部 (Ministry of Transport of the People's Republic of China).
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).
Shenzhen Transport Bureau	深圳市交通運輸局 (Transport Bureau of Shenzhen Municipality), formerly known as 深圳市交通運輸委員會 (Transport Commission of Shenzhen Municipality).

SIHCL	深圳市投資控股有限公司 (Shenzhen Investment Holdings Company Limited).
Shenzhen International	Shenzhen International Holdings Limited.
XTC Company	新通產實業開發(深圳)有限公司 (Xin Tong Chan Development (Shenzhen) Company Limited), formerly known as 深圳市高速公路開發公司 (Shenzhen Freeway Development Company Limited).
SGH Company	深圳市深廣惠公路開發有限公司 (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).
Industrial Fund Management Company	深高速(廣州)產業投資基金管理有限公司 (Shenzhen Expressway (Guangzhou) Industrial Investment Fund Management Co., Ltd.).
Vanke	萬科企業股份有限公司 (China Vanke Co., Ltd.).
Bank of Guizhou	貴州銀行股份有限公司 (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 29.1km. 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 15.6km. From 0:00 on 7 February 2016, it has been operated by card access with the toll exempted.

Definition and Cautionary Statement

Nanguang Expressway	The expressway from Xili to Gongming in Shenzhen City, with a toll mileage of 31km. 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 costal 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. From 0:00 on 7 February 2016, the Shenzhen Section of Longda Expressway (namely, the 23.8km section from Longda Shenzhen to Nanguang ramp) has been operated by card access with the toll exempted.
Three Projects	Nanguang Expressway, Yanpai Expressway and Yanba Expressway (the Three Projects). On 30 November 2015, the Company entered into the Three Projects agreement with the Shenzhen Transport Bureau in relation to the toll adjustment of the Three Projects.
Four Expressways	Nanguang Expressway, Yanpai Expressway, Yanba Expressway and the Shenzhen section of Longda Expressway (the Four Expressways), all of which are transferred to Shenzhen Transport Bureau from 0:00, 1 January 2019.
Qinglian Project	***Qinglian Expressway, Qinglian Class 1 Highway, Qinglian Class 2 Road*** (also referred to as National Highway 107 Qinglian Section) and/or the reconstruction into an expressway for Qinglian Class 1 Highway from Qingyuan to Lianzhou, as the case may be.
Yangmao Expressway	The expressway from Yangjiang to Maoming.
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.
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 (North-western Section).
Nanjing Third Bridge	Nanjing Yangtze River Third Bridge.
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.
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.
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	中交第二公路工程局有限公司 (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 with BT model. The major word of the project is Duohua Bridge.
Guilong Holdings	貴州貴龍實業(集團)有限公司 (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	貴州深高速置地有限公司 (Guizhou Shenzhen Expressway Property Company Limited).
Guizhou Hengtongli	貴州恒通利置業有限公司 (Guizhou Hengtongli Property Company Limited).
Guizhou Yuelong	貴州悦龍投資有限公司 (Guizhou Yuelong Investment Company Limited).
Guizhou Shengbo	貴州聖博置地有限公司 (Guizhou Shengbo Land Company Limited).
Guizhou Hengfengxin	貴州恒豐信置業有限公司 (Guizhou Hengfengxin Property Company Limited).
Guizhou Henghongda	貴州恒弘達置業有限公司 (Guizhou Henghongda Property Company Limited).

Definition and Cautionary Statement

Guizhou Yehengda	貴州業恒達置業有限公司 (Guizhou Yehengda Property Company Limited).
Land of Longli Project	The peripheral land of Guilong Project and the Duohua Bridge Project were successfully bid by the Group. As at the end of the Reporting Period, the Group has cumulatively won the bids for the land of Longli Project with an area of approximately 3,005 mu, including 2,770 mu for Guilong Project and 235 mu for the Duohua Bridge Project.
Guilong Development Project	The secondary independent property development project conducted by the Group on Guilong Project, which has been approved by the Board of Directors. The area of the approved land is approximately 1,000 mu.
Meilin Checkpoint Renewal Project	Shenzhen Longhua New Area Mingzhi Office Meilin Checkpoint Urban 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), a limited liability company incorporated in the PRC.
Derun Environment	重慶德潤環境有限公司 (Chongqing Derun Environment Company Limited), a limited liability company incorporated in the PRC.
Water Asset	重慶市水務資產經營有限公司 (Chongqing Water Asset Management Company Limited), a limited liability company incorporated in the PRC.
Chongqing Water	重慶水務集團股份有限公司 (Chongqing Water Group Company Limited), a company listed on the Shanghai Stock Exchange, stock code: 601158.
Sanfeng Environment	重慶三峰環境集團股份有限公司 (Chongqing San Feng Environmental Industrial Group Co., Ltd.)
Suez Group	Suez Group, France.
SITA Asia	SITA Asia Pacific Limited.
Nanjing Wind Power	南京風電科技有限公司 (Nanjing Wind Power Technology Co., Ltd.).
One Apartment	Shenzhen Expressway One Apartment Management Co., Ltd. (深圳市深高速壹家公寓管理有限公司).
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 favourable 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.
BOT (model)	Build-Operate-Transfer model, refer to the infrastructure model of investment, construction and operation. On premised on an agreement between the government and the private sector, the government issues a franchise to the private sector to allow it to raise funds for a certain period of time to build an infrastructure,manage and operate the facility and its corresponding products and services.

EPC (model)	Engineering Procurement Construction model means the Company is entrusted by the owner to carry out the whole process or several stages of contracting for the design, procurement, construction, and trial operation of a construction project in accordance with the contract. Usually, the company is responsible for the quality, safety, cost and schedule of the contracted project under the conditions of the total price contract.
BIM	Building Information Modelling, which is a model equipped with a complete and realistic construction database by building a virtual three-dimensional construction model and using digitisation technology. It is a digitised tool applied to engineering design, construction and management. Meanwhile, the model plays a key role in enhancing productivity, saving costs and shortening construction periods.
ETC	Electronic Toll Collection, a system used to electronically collect tolls on highways.
Coastal Freight Compensation Scheme	The scheme that all types of freight cars passing through the Coastal Project will be charged 50% of the normal toll fees standard from 1 March 2018 to 31 December 2020, and Shenzhen Transport Bureau compensates to Coastal Company for RMB302 million.
Airport Economic Zone	Shenzhen Baoan Airport and its surrounding areas. The area mainly includes the western coastal area of Shajing and Fuyong. It covers Shenzhen Airport, Baoan West River area and Qianhai area, with a total area of approximately 95 square kilometres. It is located at the intersection of three urban circles, including Guangdong-Foshan-Zhaoqing, Shenzhen-Dongguan-Huizhou and Zhuhai-Zhongshan-Jiangmen, and the core of the Pearl River Estuary Bay area, with outstanding strategic location advantages.
PRC	The People's Republic of China excluding, for the purpose of this report, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan.

Note：

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

II. Cautionary Statement on Risk

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

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

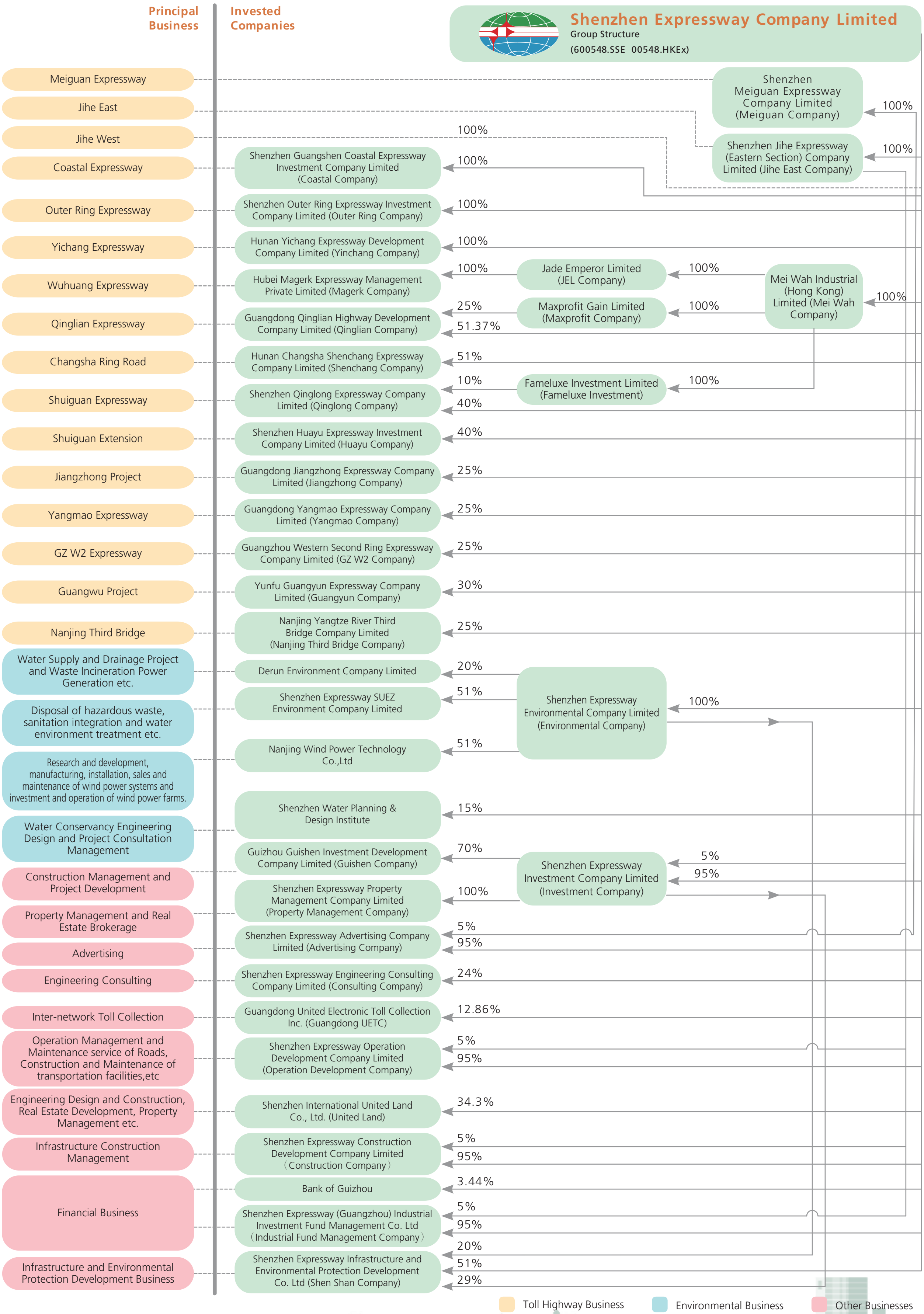
Introduction of the Company

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 16 toll highway projects, and the mileage of the high-grade highways invested in or operated by the Company (on equity basis) is approximately 546km, of which 65.7km is still under construction. It also participated in 2 regional urban infrastructure development projects, invested in 5 environmental protection, clean energy 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.

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



Financial Highlights

I. Principal Financial Data and Financial Indicators for the Reporting Period

Item (Unit: RMB)	2019 Interim (Unaudited)	2018 Interim (Unaudited)	Change (%)
Revenue	**2,699,192,701.81**	2,677,522,763.36	0.81
Net profit attributable to owners of the Company	**1,576,824,356.13**	968,653,293.65	62.79
Net profit attributable to owners of the Company – excluding non-recurring items	**1,414,280,546.60**	787,960,143.95	79.49
Net cash flows from operating activities	**786,461,423.94**	1,595,145,985.86	-50.70

Item (Unit: RMB)	As at 30 Jun 2019 (Unaudited)	As at 31 Dec 2018 (Audited)	Change (%)
Owners' equity attributable to owners of the Company	**17,420,586,928.12**	17,387,090,943.28	0.19
Total assets	**41,352,915,924.22**	41,100,850,328.23	0.61

Item	2019 Interim (Unaudited)	2018 Interim (Unaudited)	Change (%)
Earnings per share – basic (RMB/share)	**0.723**	0.444	62.79
Earnings per share – diluted (RMB/share)	**0.723**	0.444	62.79
Earnings per share excluding non-recurring items – basic (RMB/share)	**0.649**	0.361	79.49
Return on equity – weighted average (%)	**8.80**	6.91	Increase 1.89 pct.pt
Return on equity excluding non-recurring items – weighted average (%)	**7.93**	5.66	Increase 2.27 pct.pt

Non-recurring items deducted and their amounts

Non-recurring item (Unit: RMB)	2019 Interim	Note
The net income of trustee on entrusted operation	**4,107,007.54**	The net income from entrusted operation and management services provided to Longda Company were received.
Capital occupation fee received from non-financial corporation	**595,434.57**	
Income from equity transfer of subsidiaries	**267,175,591.34**	Equity transfer income recognised from transfer of equity and debt of 4 subsidiaries including Guizhou Shengbo (貴州聖博).
Gains arising from the purchase of wealth management products from banks	**1,445,321.53**	
The fair value gain/loss on Forex Swap	**14,859,473.00**	To mitigate the exchange rate risk, the Group entered into foreign exchange swap arrangements for the bond with a principal value of USD300 million dollars, and related gains on change in fair value were recognised due to appreciation of US Dollar during the Reporting Period.
Other non-operating income and expenditure excluding above items	**9,340,020.00**	Fair value change proceeds of the Period from the equity interest in Water Planning Company and United Electronic Company.
Asset disposal income	**900.70**	
Other non-operating income and expenditure excluding above items	**335,554.73**	
Minority shareholder's interest effects	**-60,850,668.03**	
Income tax effects	**-74,464,825.85**	
Total	**162,543,809.53**	

II. Financial Highlights for Five Years

Financial highlights (Unit: RMB million, unless otherwise stated)					
Item	**2018 (Restated)**	2017 (Restated)	2016 (Restated)	2015 (Restated)	2014 (Restated)
Revenue	**5,807**	5,210	4,867	3,746	3,888
Of which: Toll revenue	**5,066**	4,684	4,064	3,338	3,275
Profit before interests and tax	**5,463**	2,816	2,360	2,275	3,590
Net profit	**3,440**	1,384	1,061	1,407	2,016
Net cash inflows from operating activities	**3,222**	2,975	2,379	2,034	1,988
Net cash inflows from operating activities and cash return on investments	**5,195**	3,340	2,663	2,205	2,083
Interest covered multiple (Times)	**5.54**	3.02	2.78	3.02	4.52
Earnings per share (RMB Yuan)	**1.577**	0.635	0.487	0.645	0.925
Cash dividends per share (RMB Yuan)	**0.71**	0.30	0.22	0.34	0.45

Item	**As at 31 Dec 2018 (Restated)**	As at 31 Dec 2017 (Restated)	As at 31 Dec 2016 (Restated)	As at 31 Dec 2015 (Restated)	As at 31 Dec 2014 (Restated)
Total assets	**41,101**	44,015	39,218	38,267	30,986
Total liabilities	**21,561**	28,225	22,977	21,668	16,082
Total equity	**19,540**	15,789	16,241	16,599	14,904
Debt-to-asset ratio (%)	**52.46%**	64.13%	58.59%	56.62%	51.90%
Gross liabilities-to-equity ratio (%)	**110.34%**	178.76%	141.48%	130.54%	107.91%
Net borrowings-to-equity ratio (%)	**58.04%**	125.41%	81.32%	66.78%	71.62%
Net assets per share (RMB Yuan)	**7.97**	6.25	6.51	6.42	6.23

- **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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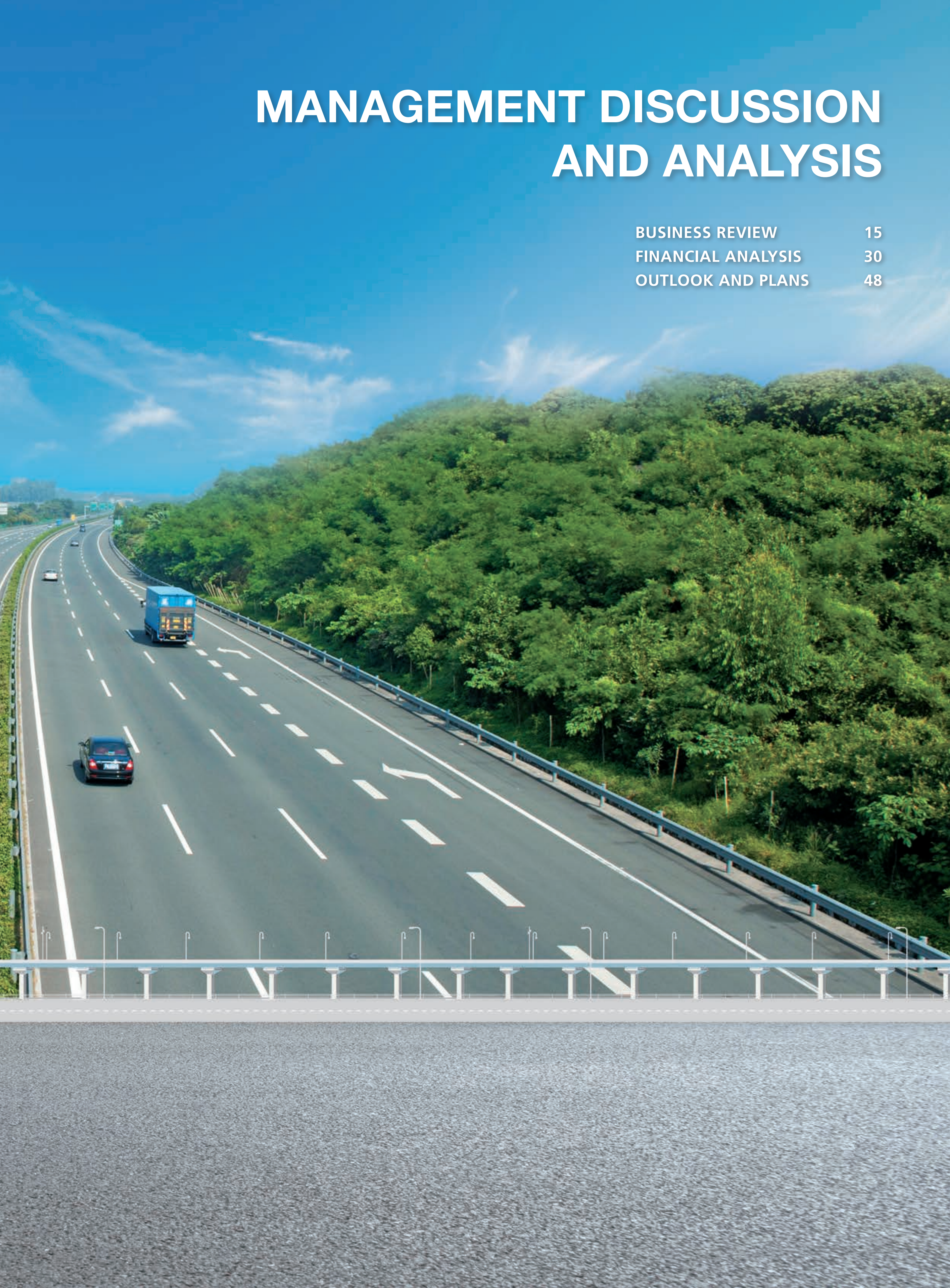
06



MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis

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 urban infrastructure, 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, maintenance management services and intelligent transportation business; the Environmental Company, a company principally engages in the expansion of businesses relating to the general-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 the current this stage, the Group's revenues and profits are mainly derived from toll highway operations and investments, and the profit contribution of environmental protection business is gradually emerging. 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, 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%
◆ 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%

Environmental protection business

◆ Nanjing Wind Power	51%
◇ Derun Environment	20%
◇ Water Planning Company	15%

Entrusted management and other infrastructure development

Project development and management

Other businesses

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

Icon: ◆ Consolidated project ◇ Non-consolidated project

In the first half of 2019, the Group earnestly managed the main business of toll highway and the entrusted management business and steadily developed new businesses such as environmental protection and clean energy businesses. During the Reporting Period, the Group recorded revenue of approximately RMB2,699 million, representing a YOY increase of 0.81%, of which toll revenue of approximately RMB2,204 million, entrusted management services revenue of approximately RMB85 million, real estate development revenue of approximately RMB309 million, advertising and other business revenue of approximately RMB100 million accounted for 81.67%, 3.16%, 11.47% and 3.7% of the total revenue of the Group, respectively.

Management Discussion and Analysis

(I) Analysis of Operating Environment

1. Economic environment

Under the complicated international situation and influenced by the intensified global trade conflicts and the escalation of geopolitical tensions, the growth of the global trade slowed down in the first half of 2019. The overall domestic economy in the PRC maintained stable growth and realised steady progress with the GDP grew by 6.3% year-on-year, down by 0.3 percentage points from the same period in 2018. Despite a slowdown in GDP growth, the growth of key macroeconomic indicators remained within a reasonable range and the economic structure was undergoing optimisation and adjustments. The regional GDP of Guangdong Province and Shenzhen recorded a YOY growth of 6.5% and 7.4% respectively, which were higher than the national average. The economic growth remained stable, which was conducive to the general growth of the regional transportation and logistics demand via highway. Source of data: Government statistics information website

2. Policy environment

◆ **Toll highway industry:** 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, the State Council and the traffic management departments at all levels of the State have issued a series of policies and measures, such as selection of some expressways to participate in the pilot projects for differentiated charges in different time periods, implementation of a preferential policy by offering a 15% discount on truck toll for 43 expressways in Guangdong Province. Since the highway projects under the Group have not been included in the above pilot scope, there has been no effect on toll revenue.

In May 2019, the State Council clearly proposed to strive for abolition of provincial boundary highway toll stations by the end of 2019, achieving non-stop express toll collection. The Ministry of Transport also issued the "Notice on Vigorous Promotion of Development and Application of ETC on Highways" (Jiaoban Gonglu Mingdian [2019] No. 45) (《關於大力推動高速公路ETC發展應用工作的通知》(交辦公路明電[2019]45號)) (the "Notice"). Pursuant to the Notice, the basic preferential policy that offer a discount of not less than 5% of the toll fees for ETC users would be strictly implemented from 1 July 2019. The ETC utilization rate of vehicles passing through the highways will then reach 90% or above by the end of 2019. The implementation of the above mentioned policy, on the one hand, involved a comprehensive upgrade and improvement of existing toll collection system, which will increase the capital expenditure of the project. The number of ETC users who can enjoy a discount of toll fees will increase sharply, which will negatively affect the toll revenue of the Company to a certain extent. However, on the other hand, it can enhance the traffic efficiency of the roads, providing more convenient and efficient service on highways for both drivers and passengers, which is positive to the reduction of labour cost and management fee of the Group in the long-term. In addition, the Ministry of Transport subsequently issued the "Classification of Toll Fees for Vehicles on Toll Highways" (《收費公路車輛通行費車型分類》) (the "New Standard"), a revised standard for the transportation industry which will take effective from 1 January 2020. The New Standard re-approved the classification of vehicles and downgraded the original Type-2 passenger vehicles with 8 and 9 seats as Type-1 mini passenger vehicles, which will have a slight and negative impact on the Company's toll revenue. Notwithstanding the foregoing, the New Standard optimised the classification system of vehicles on toll highways, which is conducive to the reduction of operational errors and disputes on classification, thereby enhancing the efficiency of toll collection. In general, the changes in industrial policies will be more favourable for the long-term industrial development and the improvement of both efficiency and service quality, ensuring a controllable impact on the Group's toll revenue.

- **Environmental protection industry:** The "13th Five-Year Plan for Ecological & Environmental Protection" (《「十三五」生態環境保護規劃》) issued by the State Council in December 2016 further clarified the construction of ecological civilisation as a national strategy. Meanwhile, as mentioned in the "2019 Government Work Report" (《2019年政府工作報告》), the construction of ecological civilisation and ecological environmental protection will be the major task in 2019. In the first half of 2019, the State and all levels of the government department have successively issued a series of environmental protection policies. Among which, 9 departments of the State including the Ministry of Housing and Urban-Rural Development have issued the "Notice on the Comprehensive Commencement of Classification of Household Waste in Cities at Prefecture Level and Above in China" (《關于在全國地級及以上城市全面開展生活垃圾分類工作的通知》) in June. Entering into an era with waste classification regulated by laws will bring new opportunities for various segments in the solid waste industrial chain.

  The NDRC issued the "Notice of the National Development and Reform Commission on Improvement of Policy regarding On-grid Tariff of Wind Power" (Fagai Jiage [2019] No. 882) (《國家發展改革委關于完善風電上網電價政策的通知》(發改價格[2019]882號)) in May 2019 to replace the on-grid tariff of onshore wind power with government's guided price and the on-grid tariff of all newly approved centralised onshore wind power projects shall be determined through competitive process. For those onshore wind power projects approved in the previous years, there is a clear division of time limit for grid connection and tariff subsidies. Driven by such policy, it is expected that 2019 to 2020 will be the peak period for onshore wind power project construction. While successively withdrawing tariff subsidies, the government has increased efforts in the construction of ultra-high-voltage transmission lines and established a guaranteed purchase system for wind power quotas and power grids based on market mechanism with an aim of improving the problem of wind power curtailment. In light of the progress of the power grid construction and the effect of supportive policies, it is expected that wind power industry will grow rapidly and the investment value of wind power industry will increase with the problem of wind power curtailment continue to decrease and cease eventually.

Management Discussion and Analysis

(II) Toll Highway Business

1. Business Performance and Analysis

In the first half of 2019, under the combined effect of various factors in the macro and regional economic environments, the Group's overall operational performance in toll highway projects remained stable. Basic operational statistics of each project are as follows:

	Average daily mixed traffic volume (number of vehicles in thousand)[1]			Average daily toll revenue (RMB'000)		
Toll highway[2]	**2019 Interim**	2018 Interim	YOY	**2019 Interim**	2018 Interim	YOY
Guangdong Province – Shenzhen Region:						
Meiguan Expressway	**104**	95	10.1%	**351**	336	4.6%
Jihe East	**296**	279	6.0%	**2,047**	2,024	1.1%
Jihe West	**219**	214	2.2%	**1,778**	1,746	1.8%
Coastal Expressway[2]	**95**	87	9.7%	**1,391**	1,189	17.0%
Shuiguan Expressway[3]	**217**	218	-0.4%	**1,703**	1,717	-0.8%
Shuiguan Extension[3]	**78**	77	1.2%	**322**	316	2.0%
Guangdong Province – Other Regions:						
Qinglian Expressway	**48**	43	9.7%	**2,332**	2,139	9.0%
Yangmao Expressway	**45**	53	-13.5%	**1,575**	1,845	-14.7%
Guangwu Project	**39**	40	-4.4%	**833**	866	-3.9%
Jiangzhong Project	**151**	142	6.3%	**1,245**	1,268	-1.8%
GZ W2 Expressway	**79**	76	3.2%	**1,518**	1,485	2.2%
Other Provinces in the PRC:						
Wuhuang Expressway	**58**	55	5.9%	**1,109**	1,050	5.6%
Yichang Project	**49**	53	-6.6%	**1,080**	1,132	-4.5%
Changsha Ring Road	**38**	33	15.6%	**388**	384	1.2%
Nanjing Third Bridge	**37**	35	5.1%	**1,422**	1,362	4.4%

Notes:

(1) Traffic volume which is toll free during holidays is not included in the figures of average daily mixed traffic volume.

(2) Coastal Company has been included into the consolidated financial statements of the Group since 8 February 2018. In addition, according to the agreement of implementation of toll adjustment for Lorries by Coastal Project signed between Shenzhen Transport Bureau and Coastal Company, all types of trucks passing through the Coastal Project will be charged 50% of the normal toll fees standard from 1 March 2018 to 31 December 2020, and Shenzhen Transport Bureau compensates to Coastal Company for RMB302 million.

(3) In September 2018, Shuiguan Expressway and Shuiguan Extension made adjustment to the traffic volume statistics calibre after January 2017, which caused a significant change to the traffic volume data. The toll revenue statistics continue to use the original calibre. The adjustment has no effect on the actual traffic volume and toll revenue of the above two projects.

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, 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 modes of transportation. In addition, the construction or maintenance works of the projects may also have impact on their then operational performances.

(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, rapid urban expansion and integration with special administrative regions, coupled with the cancellation of toll collection of certain expressways and regional roads, the traffic distribution and composition of the road network in Shenzhen have also changed to a certain extent.

The commencement of operation of Congguan Expressway (Conghua – Dongguan) (Dongguan Section) in January 2019 has facilitated the growth of Meiguan Expressway's traffic volume. As the major express passage for inter-provincial west-to-east traffic of Shenzhen, the traffic volume of Jihe Expressway is saturated. In addition, after implementation of the toll-free policy of the connected Three Projects and Phase II of Qingping Expressway, there was an induced-increase effect on its traffic volume, resulting in traffic congestion during peak hours and thus affected the further enhancement of its operational performance.

Affected by the slope landslide of Shuiguan Expressway due to the typhoon in September last year, the Company has closed one-way traffic of certain sections for slope maintenance and construction, which had certain impacts on the traffic volume and toll revenue of the project during the Reporting Period. As a result, its average daily traffic volume and toll revenue in the first half of the year basically remained the same as that in the corresponding period of last year and failed to attain the expected growth rate.

As an important passage for diverting the port's traffic for Shenzhen West Port, the operational performance of Coastal Project (the "Coastal Expressway Shenzhen Section") entered a period of steady growth with increasing awareness among car owners and emerging induced-increase effect on its traffic volume of lorries resulting from the implementation of the policy on toll adjustment of lorries. During the Reporting Period, the average daily traffic volume and toll revenue delivered a satisfactory YOY growth of 9.7% and 17.0% respectively. On 27 March 2019, the construction, inspection and acceptance of the interchange of Shenzhen World Exhibition & Convention Center of Coastal Phase II have been completed and will be opened to traffic immediately after the improvement of connected municipal roads and ancillary facilities. By then, the Coastal Project will be directly connected to Shenzhen International Convention & Exhibition Center and will hence become a major transportation hub within the Airport Economic Zone that can fully demonstrate the function of modern logistics, trade and exhibitions to facilitate regional economic cooperation, at the same time developing industrial clusters and expanding into surrounding cities. In addition, it is expected that the construction of the connecting lane of Dongbin Tunnel Shahe West Section will be completed and opened during the year while the connecting lane on the Shenzhen side of Shenzhen-Zhongshan Bridge of Coastal Phase II is under construction. With the continuous enhancement of surrounding road network, the operational performance of Coastal Project will improve rapidly in the future.

Management Discussion and Analysis

(2) Guangdong Province – Other Regions

Due to the successive opening of Yunzhan Section (Yunfu – Zhanjiang) of the Shanzhan Expressway, Shenmao Express Rail Link Jiangzhan Section (Jiangmen – Zhanjiang) and Phase II of Xinyang Section (Xinxing – Yangchun) of Yunzhan Expressway, the reconstruction and expansion of certain sections of Yangmao Expressway and various levels of negative impact on the operational performance of Yangmao Expressway caused by the implementation of the policy governing over-limit and overloaded vehicles, its average daily traffic volume and toll revenue recorded a YOY decrease during the Reporting Period. Benefiting from the positive impact of various factors including the raise of speed limits of GZ W2 Expressway sections and resumption of traffic of certain connected roads after the completion of reconstruction, the average daily traffic volume and toll revenue of GZ W2 Expressway recorded an increase and a slight YOY increase respectively during the Reporting Period despite the fact that the reconstruction of Guangfozhao Expressway has exerted negative impacts on the GZ W2 Expressway to a certain extent. Affected by the diversion of Xinyang Phase II Section of Yunzhan Expressway and Guangxi Wuzhou Ring Expressway, the average daily traffic volume and toll revenue of Guangwu Project recorded a YOY decrease during the Reporting Period. As the Guangzhongjiang Expressway opened at the end of 2017 and Nansha Bridge opened in April 2019 have a diversion effect on the Jiangzhong Project, the average daily toll revenue of Jiangzhong Project recorded a slight YOY decrease during the Reporting Period.

All sections of Xuguang Expressway, comprising Guangqing, Qinglian, Yuelin, Suiyue, Lintong and Lannan Expressway, have commenced operation in September 2018, which resulted in a significant increase in transportation efficiency, thereby facilitating the operational performance of Qinglian Expressway. The implementation of traffic control measures of Qingyuan Bridge and the opening of Longhuai Section (Longchuan – Huaiji) of Shankun Expressway at the end of 2018 have brought positive impacts on the operational performance of Qinglian Expressway. During the Reporting Period, the average daily traffic volume and toll revenue of Qinglian Expressway recorded a YOY growth of 9.7% and 9.0% respectively. In the future, the effect of Qinglian Expressway as a north-south traffic artery from Southern China to Central China will be further highlighted and drive the traffic volume on Qinglian Expressway.

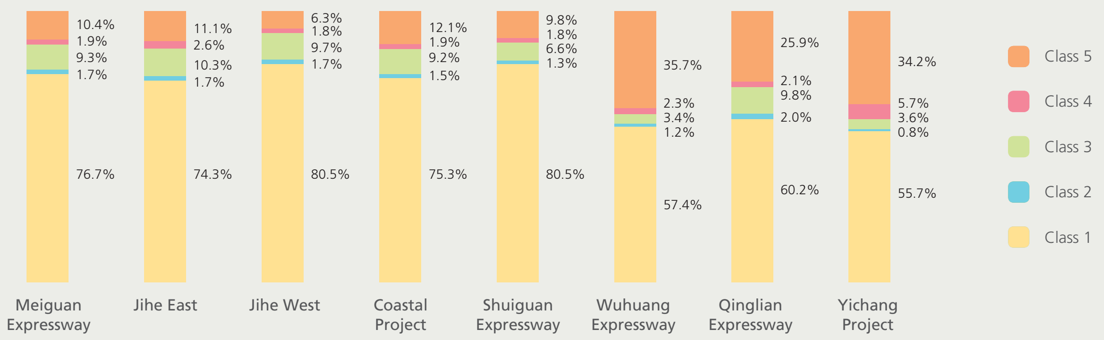
(3) Other Provinces

During the Reporting Period, due to the combined effects of factors such as growth of vehicle ownership in surrounding cities and continuous enhancement of surrounding road network, the operational performance of Wuhuang Expressway maintained a steady growth. Due to the peripheral and regional economic development and the implementation of preferential policies for transportation within the province, the average daily traffic volume and toll revenue of Nanjing Third Bridge recorded a single-digit YOY growth. With the combined effect of various factors such as implementation of toll-by-weight policy, diversion of newly opened sections in the surrounding areas, implementation of traffic control policies and the functional changes in the business districts along the highway, the traffic volume of Changsha Ring Road continued to grow while the toll revenue basically remained the same as that in the corresponding period of last year. Due to the diversion effect of newly opened Ma'an Expressway (Majitang – Anhua) and Dehan Road (Changde Municipal Road) in the surrounding areas, coupled with the continuous impacts of the implementation of policies on traffic control and those governing over-limit and overloaded vehicles, as well as the negative impacts of snowstorms at the beginning of the year, both the average daily traffic volume and toll revenue of Yichang Expressway recorded a YOY decrease.

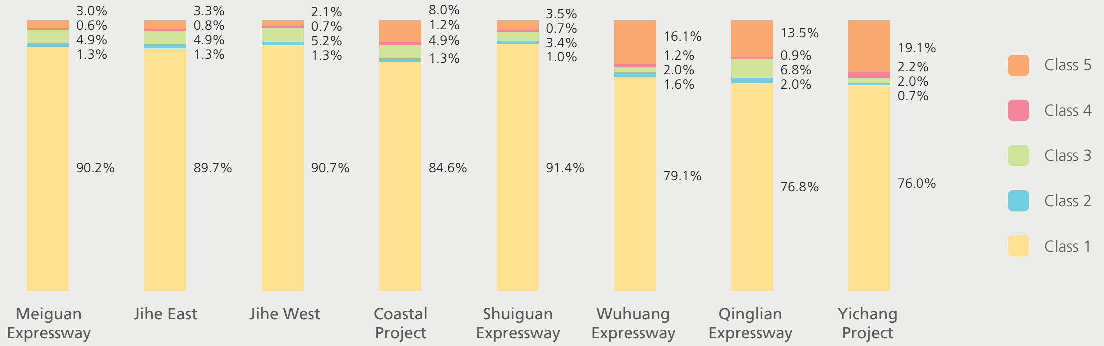
Reference Information

In the first half of 2019, there was no substantial change in the vehicle category for each major toll highway project of the Group as compared with last year. The detailed data is as follows:

Vehicle Category of Major Highways — by Revenue



Vehicle Category of Major Highways — by Traffic Volume



2. *Business Management and Upgrade*

◆ *Carry out in-depth and comprehensive quality improvement*

During the Reporting Period, the Group carried out in-depth and comprehensive quality improvement with a view to further enhancing the quality of engineering construction and operation service and the standard of comprehensive management and control and service, as well as facilitating the implementation of the Company's development strategy. In respect of the construction segment, focusing on optimising design concepts, management standards, technological innovation and service standards, the Group, based on the specific condition of the project, carried out in-depth research and application on subjects including the assembled construction process, the whole-process BIM technology and the intelligent operation in an effort to develop, implement and promote the "quality engineering" construction standard for the Company's construction projects. With respect to the operation segment, the Group upgraded the refinement and intelligent level of operation and maintenance management with the goal of realising "beautiful road environment, standardised road maintenance, quality service standard and efficient station organisation". In terms of the comprehensive management segment, the Group raised its work standard through identifying the shortcomings in the Company's comprehensive management with reference to the mindset and approaches of ISO9001, as well as enhanced its work efficiency via management systemisation, standardisation, refinement and normalisation, thereby upgrading the quality of comprehensive management.

Management Discussion and Analysis

◆ *Accelerate the promotion of the Group's information development*

In order to improve the Group's management capability and efficiency and facilitate the operation development via technological innovation, the Group moved forward to promote its information development and has basically completed the preliminary planning of the Group's information development, as well as clarified the guidance on strategy implementation during the Reporting Period. Integrating its technical resources with that of the professional research institutes and technical teams by way of strategic cooperation, the Group strenuously pushed forward the research and implementation of intelligence traffic by leveraging its advantages of infrastructure resources and operational management experience as well as the strengths of the professional technical teams in aspects as such big data, artificial intelligence and internet technology. Moreover, the Group will seize the opportunity of major highway construction projects to jointly promote the intelligent development of transportation infrastructure, management and services.

In line with the construction concept of "the integration of construction and maintenance", the Group's Outer Ring Project and other major projects were adopted as carriers to promote the pilot application of innovative technologies such as BIM technology, QR code technology, special equipment monitoring and smart construction site in engineering construction during the Reporting Period. Through adopting information technology, the elements of the construction site were managed in a unified manner to formulate an information-based, visualised and intelligent BIM-based engineering project management system, thereby improving the management efficiency and application value. The enquiry efficiency was optimised by way of recording tens of thousands of common structures and engineering metal information via the QR code system, which will facilitate the convenient data transfer for later operation and maintenance. Through the application of new technologies such as artificial intelligence and internet of logistics, an integrated highway monitoring platform was established to realise automatic monitoring, identification, pre-warning and business connection of road conditions, traffic incidents and vehicle flows, thereby improving the traffic efficiency and reducing overall costs.

◆ *Proactively prepare for the renovation on the non-stop toll collection system*

In order to follow and implement the State Council's decision to "reinforcing the reform of toll road system and accelerating the removal of provincial boundary toll collection stations on highway nationwide to realise non-stop convenient toll collection, reduce congestion and facilitate the public", the Ministry of Transport and governments at all levels successively introduced relevant and specific policy and implementation proposal. The "removal of cross-provincial toll stations on highway nationwide to realise non-stop convenient toll collection" involves an overall upgrade and renovation on the existing toll collection system, including a variety of specific works, such as the software and hardware renovation on toll collection stations and lanes, the construction of new ETC lanes, entrance weight lanes and ETC gantry systems and the removal of provincial boundary toll collection facilities. As such, the renovation is under tight schedule with heavy workload. During the Reporting Period, the Group proactively prepared for relevant work pursuant to the requirements of the overall technical plan of the Ministry of Transport and the documents of governments at all levels, while the operation management department commenced relevant works such as engineering design and the construction according to the requirements of the local transportation authority.

3. Business Development

As at the end of the Reporting Period, approximately 56% of the Outer Ring project has been completed. While the land resumption and housing demolition and relocation work has been basically completed, the engineering of roadbed, bridges, tunnels and pavements have completed by approximately 62%, approximately 44%, approximately 85% and approximately 11%, respectively. For details of the Outer Ring Project, please refer to the relevant contents of the Company's announcement dated 18 March 2016 and the circular dated 25 April 2016.

The Company has acquired 100% equity interests in Coastal Project. As at the end of the Reporting Period, approximately 32% of the Coastal Phase II has been completed. While approximately 97% of the land resumption and housing demolition and relocation work has been basically completed, the engineering of roadbed, bridges and pavements have completed by approximately 46%, approximately 48% and approximately 10%, respectively. In particular, the delivery and acceptance of the interchange of the International Convention and Exhibition Center has been completed on 27 March 2019.

To match the overall work plan and arrangement of the government's expressway construction and improve road safety and quality and the traffic environment, the Board of Directors have approved the preliminary work of the Group's preliminary design of the Jihe Expressway reconstruction and expansion project in January 2018. During the Reporting Period, the Company actively promoted the preliminary work such as the preparation of the engineering feasibility report and the preliminary design of the Jihe Expressway reconstruction and expansion project.

The Company holds 25% equity interests in Yangmao Company. The reconstruction and expansion of Yangmao Expressway commenced in mid-2018 and is scheduled to be completed in 2022. As at the end of the Reporting Period, the preliminary approval and bidding for the reconstruction and expansion of Yangmao Expressway have been basically completed. While approximately 97% of the land resumption work has been completed and the housing demolition and relocation work has commenced, the construction of main structures including girder prefabricated field construction, soft foundation treatment and bridge pile foundation construction are underway.

(III) Environmental Protection Business

In order to explore a broader space for the Group's long-term development, the Group will proactively explore the investment prospects and opportunities of the general environmental protection industry that takes water environment remediation, solid waste and hazardous waste treatment and clean energy 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 general environmental protection industry.

The Group subscribed 15% of the equity interests in Water Planning Company in 2017. Water Planning Company is one of the first comprehensive survey and design organisation in the PRC to commence integrated water design. It possesses 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. In recent years, Water Planning Company seized the development opportunity arising from the government's vigorous development of Guangdong-Hong Kong-Macau Greater Bay Area to optimise the market layout and extend the business chain on a continuous basis. Projects such as safety rectification and water supply of water diversion project, water environment remediation and integrated urban development, survey and design of water quality protection project, integrated remediation of dirty and smelly rivers and channels and temporary sewage treatment, etc. have commenced in Guangdong-Hong Kong-Macau Greater Bay Area and various peripheral provinces and cities. During the Reporting Period, Water Planning Company undertook three new sewage treatment facilities projects, and received sufficient orders for other services. 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 remediation field from a high starting point. This will help the Company to acquire resources for technological research and development in respect of water environmental remediation 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 the market of water environmental remediation.

Management Discussion and Analysis

In 2017, Environmental Company, a wholly-owned subsidiary of the Group, acquired 20% equity interests in Derun Environment. Derun Environment is a comprehensive environmental enterprise with majority owned subsidiaries including Chongqing Water and Sanfeng Environment, etc., and with major business segments including water supply and sewage treatment, waste incineration power generation and environmental restoration, etc. Chongqing Water is mainly engaged in urban water supply and sewage treatment. Occupying a dominant position in the city's water supply and sewage treatment market, Chongqing Water has stable earnings and abundant cash flow. Sanfeng Environment is a large-scale environmental protection group integrating investment, construction, integrated equipment and operation management in domestic waste incineration power generation field. It is mainly engaged in the investment of waste incineration power generation projects, EPC (Engineering Procurement Construction), equipment manufacturing and operation management of the whole industry chain service, with a complete set of core technologies such as waste incineration and flue gas purification, and third-generation tube-type membrane treatment and other technologies. During the Reporting Period, Derun Environment focused on developing the markets in Chongqing and the peripheral areas and actively pushed forward the construction of projects on hand, including the "Phase I of Yiju Waterfront" project in Wuhou District, Chengdu as well as the project in respect of ecological restoration, management and maintenance of landfills. By acquiring the equity interests of Derun Environment, the Group, on the one hand, would be able to expand the Company's environmental protection business and obtain a reasonable return on investment. On the other hand, it can carry out in-depth cooperation with domestic leading enterprises.

With the approval of the executive board of directors of the Company, at the end of October 2018, Environmental Company jointly established Shenzhen Expressway Suez Environmental Company Limited (深圳高速蘇伊士環境有限公司) with SITA Asia under the Suez Group. The company has a registered capital of RMB100 million and was held as to 51% equity interests by Environmental Company. The establishment of the company will play to the strengths of both parties and effectively push forward the business expansion and cooperation of both parties in the fields of industrial environmental protection and others.

With the approval of the Board, the Group entered into an "Equity Acquisition Agreement in respect of Nanjing Wind Power Technology Co., Ltd" (《關於南京風電科技有限公司的股權併購協議》) (the "Acquisition Agreement") in March 2019, pursuant to which the Group acquired 51% controlling equity interests in Nanjing Wind Power by ways of equity transfer and capital increase at a consideration of RMB510 million. For details, please refer to the Company's announcement dated 15 March 2019. During the Reporting Period, the transaction has been completed. Nanjing Wind Power has been consolidated into the Group's financial statements since 8 April 2019. Nanjing Wind Power is a high-tech company specialising in wind power, a type of renewable new energy. The company is principally engaged in the research, integration, production, installation, sales and maintenance of wind power generation system, as well as investment and operation of wind farms. As Nanjing Wind Power possesses the technological capacity to self-develop and produce large scale wind power generating units, as well as the experience and ability to develop, construct, operate and manage wind farms, the market prospect for business development of Nanjing Wind Power is promising. Clean energy, being an emerging sector in the general environmental protection industry, will be a new industrial development direction that the Group has decided to place strong emphasis on in its development strategies. The policy environment and market demand-supply relationship for wind power at the current stage have presented valuable market opportunities for Nanjing Wind Power. However, the limited production capacity also exposed the company to pressure resulted from its limited supply capability. The Group will capitalise on the historic opportunity to consolidate its resources advantages, thereby realising the results target set when Nanjing Wind Power was acquired.

The progress of the market-based reform of municipal sanitation services and the introduction of a series of environmental protection policies, such as waste classification, have brought about new opportunities for various segments along the solid waste industrial chain. The Group will demonstrate the regional advantages and resources advantages of the Company to expand into the sanitation market as and when appropriate. It will gradually establish a comprehensive service system integrating cleaning, classification, transportation and treatment of household waste. On this basis, the Group will also expand into upstream and downstream industrial chain, and tap into the segmented areas of waste collection and classification, and incineration power generation. In addition, during the Reporting Period, the Group also proactively conducted site visits and negotiations in respect of research and investment projects regarding treatment of industrial sewage and waste and remediation of water environment. In conjunction with the regional expansion strategy, the Group will participate in comprehensive urban development and construction, thereby strategically expanding into the area of construction and operation of environmental protection projects such as sanitation integration, integrated management of solid waste, comprehensive water environment remediation and waste power generation.

For details of the profits of Derun Environment and Nanjing Wind Power during the Reporting Period, please refer to the relevant content in "Financial Analysis" below and note VII\2 to the Financial Statements in this report.

(IV) Entrusted Management and the Development of Other Infrastructure

Relying on the core business of toll highway and building on the expertise and experience accumulated in the relevant areas throughout these years, the Group has continuously launched or engaged in the business of entrusted management. Through the entrusted construction management business and the entrusted operation management business (also known as entrusted construction business and entrusted management business), 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 by providing services relating to construction management and 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, Longhua Municipal Section Project in Shenzhen region, 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. 74% of the physical progress of Cargo Organisation Adjustment Project have been completed, among which the 4 toll stations in the first batch have been completed and commenced operation, while the main work for the second batch is yet to commence. Approximately 37% of the construction of Longhua Municipal Section Project have been completed.

In addition, the Company was identified as entrusted construction party of infrastructure and ancillary projects for Shenshan Eco-Environmental Science and Technology Industrial Park ("Environmental Park") through an open tendering procedure in July 2019, and was assigned to responsible for the whole process of infrastructure construction of the Environmental Park. The management fee of the entrusted construction is approximately RMB226.55 million. This infrastructure construction project is invested by the Shenzhen Municipal People's Government and is expected to be completed by 2025.

Management Discussion and Analysis

2. Entrusted Management Business

On 28 December 2018, the Company entered into an entrusted management agreement with Baotong Company, pursuant to which Baotong Company entrusted the Company to manage its 89.93% equity interest in Longda Company. The term of the entrusted management agreement commenced on 1 January 2019 and will expire on 31 December 2019. As such, starting from 1 January 2019, the section of highway that actually requires the management of Longda Company was the toll highway of approximately 4.4 km in the north of Songgang section of Longda Expressway. For details, please refer to the Company's announcement dated 28 December 2018.

The Four Expressways have been transferred to the Shenzhen Transportation Bureau from 0:00 on 1 January 2019. During the transition period, the comprehensive management work of the Four Expressways has been directly entrusted to the Company. During the Reporting Period, through the public tendering procedures, the consortium established by the Company and Operation Development Company has successfully won the bid for the comprehensive maintenance project for the Four Expressways and undertake the maintenance work of the Four Expressways for a contractual term from 11 June 2019 to 10 June 2010.

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\42 to the Financial Statements in this report.

3. Development and Management of Other Infrastructure

As at the end of the Reporting Period, land levelling and related auxiliary works for 6 plots of land in Shenzhen-Shanwei Special Cooperation Zone have been basically completed, among which approximately 67% of the physical progress of 1 plot of land have been completed, while pre-construction works for 2 other plots of land were still under preparation, and 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 Holdings, its platform company. The investment budget of the project is approximately RMB900 million and the construction period of the project is expected to be approximately 3 years. On 29 March 2018, Longli County Government, Guilong Holdings and Guishen Company signed an investment cooperation agreement for the project (the "Investment Cooperation Agreement"). According to the investment cooperation agreement, Guishen Company is responsible for raising construction funds, and Guilong Holdings will pay project fee to Guishen Company according to the contract. For details, please refer to the announcement of the Company dated 29 March 2018. As at the end of the Reporting Period, approximately 17% of the physical work of the project have been completed, the temporary construction work have been basically completed, and approximately 88% of the bridge foundation work have been completed.

The Board of the Company has approved the Investment Company to invest in Fuyong and Songgang Long-term Rental Apartment Project and to establish a joint venture with Shenzhen One Apartment Management Co., Ltd. (深圳市壹家公寓管理有限公司) as the principal entity for the cooperation under the long-term rental apartment business. Shenzhen Expressway One Apartment Management Co., Ltd. (深高速壹家公寓管理有限公司) was incorporated in September 2018 in Shenzhen with a register capital of RMB10 million, which was held as to 60% by the Investment Company. As at the end of the Reporting Period, leasing of Songgang Project is in progress with an occupancy rate of approximately 55% now; the renovation work of Fuyong Project has been basically completed and the project has basically attained the leasing condition.

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.

(V) Development of New Industries

With the relevant management experience and resources and in accordance with the deployment of development strategies for the current period, the Group prudently explores new business types such as comprehensive development of land and urban renewal, while paying close attention to and seising the opportunities for the cooperation between the advantageous areas and the existing business-related areas as business development and expansion beyond its core business as well as a beneficial supplement to revenue.

1. Development and Management of Land Projects

(1) Guilong Development Project

With the improvement of Guilong Road and the infrastructure in peripheral regions and the development of the whole Guilong Economic Zone, the Group expected that the land in the area of Longli Country will have great potential for appreciation. In addition, 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 participated in the land tenders within the area of Longli Country. At the end of the Reporting Period, Guishen Company has successfully won the bid for the land of Longli Project with an area of approximately 3,005 mu (approximately 2,000,000 square meters) in aggregate, including approximately 2,770 mu of Guilong Project land with a transaction amount of approximately RMB961 million, and approximately 235 mu of Duohua Bridge Project land with a transaction amount of approximately RMB117.71 million. In respect of Guilong Project land, the interests in approximately 1,610 mu have been transferred, 1,045 mu is under secondary development and the remaining land will be used for secondary development or transfer as at the end of the Reporting Period. 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 rolling development strategy by phases. Focusing on the Interlaken Town Project, it has conducted secondary self-development for certain land parcels acquired, which has an area of 1,045 mu (approximately 697,000 square meters). During the construction of the Interlaken Town Project, Guishen Company diligently delivered high-end and quality works. As such, the Interlaken Town Project has established a favourable brand image in the local market with its unique architectural style, beautiful landscape and good living environment. As at the end of the Reporting Period, a total of 313 sets of houses launched for Interlaken Town Phase I (approximately 247 mu, equivalent to 164,000 square meters) have been sold out and basically delivered for use. A total of 238 sets of houses launched for Interlaken Town Phase II (approximately 389 mu, equivalent to 260,000 square meters) Stage I have been sold out and payments have been received, of which approximately 80% have completed the handover. The Phase II Stage II project is mainly for commercial supporting property. 57 sets out of the 95 commercial properties provided have been contracted for sale and payments have been received. The main structural works of such project have been basically completed and the handover process has commenced. The Interlaken Town Phase III (approximately 229 mu, equivalent to 153,000 square meters) has been put into construction. The Phase III Stage I project, which is expected to be completed by the end of 2020, would provide 271 sets of houses, of which 196 have been contracted for sale and payments have been received. The Phase III Stage II project is intended to be commercial supporting property. Guishen Company is now conducting works in relation to the planning and design for the development of the remaining land.

Management Discussion and Analysis

In order to accelerate the return of funds and realise the market value of the land, in July 2018, the Board approved the Group's overall transfer of 100% equity interests and creditor's rights in Guizhou Shengbo, Guizhou Hengfengxin, Guizhou Henghongda and Guizhou Yehengda ("Four Companies") by public listing with the listing price being not less than the sum of the assets assessment results of the Four Companies, and also being not less than RMB550.80 million. The main assets of these Four Companies are holding about 810 mu of Guilong land. During the Reporting Period, the transaction was completed and the Group has recovered the land assignment fees of approximately RMB567 million. In addition, at the end of 2018, the Board of the Company has approved Guishen Company to participate in the bidding of Guilong land of approximately 115 mu. During the Reporting Period, the bidding was completed with a transaction amount of approximately RMB63.49 million.

With continuous economic development in the region where Guilong Project is located, the value of the region continued to grow. 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 seise the opportunities in the market and effectively lower the risks in relation to the collection of receivables from Duohua Bridge Project, the Board has 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. In 2018, Guishen Company has completed the bidding of land of 235 mu (approximately 157,000 square meters), with a total transaction amount of approximately RMB117.71 million.

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, Shenzhen International (through XTC Company, its wholly-owned subsidiary) and Vanke jointly invested in United Land Company. The three parties own 34.3%, 35.7% and 30% equity interests of United Land Company respectively. United Land Company is the reporting and implementing entity of Meilin Checkpoint Renewal Project. 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). For details, please refer to the Company's announcements dated 8 August 2014, 10 September 2014, 8 October 2014, 25 July 2018, 28 September 2018 and 13 November 2018 respectively and the circular dated 17 September 2014 and 22 October 2018 respectively.

The Meilin Checkpoint Renewal Project will be developed in three phases. Among which, Phase I of the project will comprise residential units with an estimated saleable area of approximately 75,000 square meters, pre-sold houses of more than 830 sets and affordable housing with an area of approximately 42,000 square meters; Phase II of the project will comprise residential units with an estimated saleable area of approximately 68,000 square meters; Phase III of the project will comprise residential units with an estimated saleable area of approximately 63,000 square meters and a complex building of office and business apartment with an area of approximately 190,000 square meters. In addition, the project has reserved approximately 34,500 square meters as commercial supporting property in its overall planning. As at the end of the Reporting Period, the sales volume of Hefengxuan Phase I reached more than 700 sets, representing a de-stocking rate of approximately 88%. The main work of Phase II of the project is under construction. Phase III of the project is applying for relevant construction and the preliminary engineering has commenced.

(VI) 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 3.44% of its total share capital after the capital injection. During the Reporting Period, the Board has approved the Company or its authorised subsidiary to increase the shareholding in the Bank of Guizhou with a total investment amount of not more than RMB0.19 billion. The validity period of the authorization shall be from 11 June 2019 (i.e. the date of approval of the Board) to 20 May 2021. 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.

During the Reporting Period, the Board of the Company has approved the Company to participate in the investment in Shenzhen Lvyuan Energy Conservation and Environmental Protection Fund (Limited Partnership)* (深圳綠源節能環保基金(有限合夥)) (the "Lvyuan Fund", name subject to the approval of the administration bureau of industrial and commercial) based on the premise that the relevant conditions precedent have been satisfied. The investment amount to be made is RMB0.2 billion or 25% of the total size of fund, whichever the lower, and the fund shall be allowed to be closed in up to two tranches. The participants of the fund shall complete their respective internal approval and sign the partnership agreement by 31 December 2019, otherwise the relevant approval will lapse. For details, please refer to the Company's announcement dated 11 June 2019. As at the end of the Reporting Period, the Company has not entered into any agreement in relation to the investment in Lvyuan Fund.

The Company 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.

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\13 and note V\42 to the Financial Statement in this report.

Management Discussion and Analysis

II. Financial Analysis

In the first half of 2019, the Group recorded net profit attributable to owners of the Company ("net profit") of RMB1,576,824,000 (2018 interim: RMB968,653,000), representing a YOY increase of 62.79%. This was mainly due to the completion of capital injection for Coastal Company, the recognition of deferred income tax asset related to a portion of previously compensable loss and the impairment of highway assets, and the increase in the Group's investment income arising from the transfer of the whole equity interests and creditor's rights in four subsidiaries (including Guizhou Shengbo) during the Reporting Period. Please refer to Point (II) "Description on Material Changes in Profits from Non-main Business" below.

(I) Analysis of Main Business

1. Analysis of Changes in Related Items in the Financial Statements

Unit: '000 Currency: RMB

Item	**Amount for the current period**	Amount for the corresponding period of last year (Restated)	Change (%)
Revenue	**2,699,193**	2,677,523	0.81%
Cost of services	**1,408,694**	1,282,860	9.81%
Selling expenses	**10,369**	6,618	56.67%
General and administrative expenses	**83,385**	42,196	97.62%
Research and development expenses	**2,982**	–	N/A
Financial expenses	**269,305**	500,549	-46.20%
Investment income	**597,091**	288,612	106.88%
Income tax expenses	**-190,207**	267,748	N/A
Net cash flows from operating activities	**786,461**	1,595,146	-50.70%
Net cash flows from investing activities	**623,802**	-333,724	N/A
Net cash flows from financing activities	**-1,236,887**	-976,750	26.63%

2. *Reasons for Change in Revenue:*

During the Reporting Period, the Group recorded revenue of RMB2,699,193,000, basically flat with the corresponding period of last year. Excluding the effect of the toll revenue from the Three Projects of RMB341,918,000 for the corresponding period of last year due to the government's repurchase at the end of 2018, the comparable revenue increased by 15.57%, among which, the comparable toll revenue increased by 3.95%. In addition, revenue from Guilong Development Project for the period increased as more housing units were delivered, as well as the newly recognised revenue from compensation service for operating cost of new toll stations of the the Three Projects and entrusted management and maintenance service upon the government's repurchase of the Four Expressways. The detailed analysis of revenue is as follows:

Unit: '000 Currency: RMB

Revenue item	2019 Interim	Proportion (%)	2018 Interim	Proportion (%)	Change (%)	Description
Revenue from main business – toll highways	**2,204,299**	81.67	2,462,485	91.97	-10.48	(1)
Revenue from other businesses – entrusted management services	**85,361**	3.16	44,519	1.66	91.74	(2)
Revenue from other businesses – real estate development	**309,498**	11.47	110,811	4.14	179.30	(3)
Revenue from other businesses – advertising and others	**100,034**	3.71	59,708	2.23	67.54	(4)
Total revenue	**2,699,193**	100.00	2,677,523	100.00	0.81	

Description：

(1) During the Reporting Period, the Group recorded a YOY decrease of 10.48% in toll revenue. Excluding the effect of the toll revenue from the Three Projects of RMB341,918,000 for the corresponding of last year, the comparable toll revenue increased by 3.95%. Except for Shuiguan Expressway and Yichang Expressway, the toll revenue from which were basically flat or slightly decreased, all the other ancillary toll highways, including Coastal Expressway, Qinglian Expressway and Wuhuang Expressway, recorded various increases. 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 items is set out in Point (III) "Analysis of Business Management by Industry, Product or Region" below.

(2) During the Reporting Period, revenue from entrusted management services recorded a YOY increase of 91.74%, mainly in line with the progress of the entrusted construction projects and newly-recognised revenue from entrusted management and maintenance service for the Four Expressways after the government's repurchase in the Reporting Period.

(3) During the Reporting Period, revenue from real estate development recorded a YOY increase of 179.30%, mainly due to the increase in delivered units in the current period of Guilong Development Project.

(4) During the Reporting Period, revenue from advertising and others recorded a YOY increase of 67.54%, mainly due to the newly-recognised revenue from the compensation service for operating cost of new toll stations of the Three Projects.

Management Discussion and Analysis

3. *Reasons for Change in Cost of Services*

During the Reporting Period, the cost of services of the Group amounted to RMB1,408,694,000 (2018 interim: RMB1,282,860,000), representing a YOY increase of 9.81%. Excluding the effect of the related cost of services of the Three Projects for the corresponding period of last year, the comparable cost of services recorded a YOY increase of 26.25%, which was mainly due to the increases in employee expenses, road maintenance expenses, and depreciation and amortisation expenses of other ancillary toll highways, and the increase in real estate development costs carried forward by Guilong Development Project due to increased revenue. The detailed analysis of cost of services is as follows:

Unit: '000 Currency: RMB

Breakdown by industry							
Industry	Cost item	**2019 Interim**	2019 Interim proportion (%)	2018 Interim (restated)	2018 Interim proportion (%)	Change (%)	Description
Cost of main business – toll highway	Employee expenses	**141,341**	10.03	165,352	12.89	-14.52	(1)
	Road maintenance expenses	**79,710**	5.66	68,221	5.32	16.84	(2)
	Depreciation and amortisation	**728,011**	51.68	824,890	64.30	-11.74	(3)
	Other business costs	**103,251**	7.33	106,000	8.26	-2.59	
	Subtotal	**1,052,313**	74.70	1,164,462	90.77	-9.63	(4)
Other business costs – entrusted management services		**80,504**	5.71	22,188	1.73	262.82	(5)
Other business costs – real estate development		**199,220**	14.14	56,545	4.41	252.32	(6)
Other business costs – advertising and others		**76,657**	5.44	39,664	3.09	93.26	(7)
Total cost of services		**1,408,694**	100.00	1,282,860	100.00	9.81	

Description：

(1) Mainly represents a YOY decrease in toll collection staff expense after the repurchase of the Three Projects by the government.

(2) Mainly represents a YOY increase in the Group's Road maintenance costs for repairing the slope landslide of Shuiguan Expressway.

(3) Mainly due to a YOY decrease in depreciation and amortisation expenses of related assets after the repurchase of the Three Projects by the government.

(4) Costs presented based on specific item are set out in Point (III) "Breakdown of Cost of Services by Industry, Product and Region" below.

(5) Mainly represents an increase in related entrusted construction management in line with the progress of the entrusted construction projects and newly-recognised cost from entrusted management and maintenance service cost upon the government's repurchase of the Four Expressways.

(6) Due to the increase in delivered units, the real estate development cost carried forward by Guilong Development Project recorded a YOY increase.

(7) Represents the newly-recognised operating cost of new toll stations of the Three Projects.

4. *Expenses*

The Group's selling expenses for the Reporting Period amounted to RMB10,369,000 (2018 interim: RMB6,618,000), representing a YOY increase of 56.67%, which was mainly due to the increase in the Group's selling expenses resulting from the consolidation of Nanjing Wind Power into the financial statements.

The Group's general and administrative expenses for the Reporting Period amounted to RMB83,385,000 (2018 interim: RMB42,196,000), representing a YOY increase of 97.62%. The increase was mainly due to the increase in the number of managerial staff as the Company's business scale expanded, and the increase in the Group's general and administrative expenses resulting from the consolidation of Nanjing Wind Power into the financial statements.

The Group's research and development expenses amounted to RMB2,982,000 during the Reporting Period. The increase in the research and development expenses resulted from the consolidation of Nanjing Wind Power into the financial statements.

The Group's financial expenses for the Reporting Period amounted to RMB269,305,000 (2018 interim: RMB500,549,000), representing a YOY decrease of 46.20%, which was mainly due to the facts that the interest expenses decreased as the average borrowing scale went down, and exchange losses decreased YOY as foreign liabilities were affected by fluctuation in RMB exchange rate. During the Reporting Period, the Company continued to lock the foreign exchange swap transactions on US dollar bond. For details of the foreign exchange swap transaction, please refer to Point (II) below. After hedging the "Gain or loss from changes in fair value – Income from changes in fair value of foreign currency swaps", the Group's consolidated financial cost during the Reporting Period was RMB254,446,000 (2018 interim: RMB490,383,000, representing a YOY decrease of 48.11%. In addition, during the Reporting Period, the comprehensive borrowing cost of Group was 4.42% (2018 interim: 4.70%), which was decreased by 0.28 percentage points. For details of the changes in borrowing scale, please refer to "Analysis of Assets and Liabilities" below. The detailed analysis of financial expenses is as follows:

Unit: '000 Currency: RMB

Financial expenses item	**2019 Interim**	2018 Interim	Change (%)
Interest expenses	**346,701**	511,949	-32.28
Less: Interest capitalised	**59,212**	29,711	99.30
Interest income	**25,312**	32,428	-21.94
Add: Exchange profit or loss and others	**7,128**	50,739	N/A
Total financial expenses	**269,305**	500,549	-46.20

During the Reporting Period, the Group's income tax expenses amounted to RMB-190,207,000 (2018 interim: RMB267,748,000), representing a YOY decrease of RMB457,955,000, which was mainly due to the fact that Coastal Company, during the Reporting Period, completed the capital injection of RMB4.1 billion. According to its future profitability, the related deferred income tax assets were recognised in respect of partially compensable losses and impairment of road assets incurred in previous periods.

Management Discussion and Analysis

5. *Investment Income*

During the Reporting Period, the Group's investment income amounted to RMB597,091,000 (2018 interim: RMB288,612,000), representing a YOY increase of 106.88%, which was mainly due to the recognition of equity transfer income from the transfer of 100% equity interests and creditor's rights in four subsidiaries including Guizhou Shengbo, the receipt of 2018 annual dividend from United Electronic Company as well as the increase in investment income attributable to Derun Environment and Bank of Guizhou. Detailed analysis of investment income is as follows:

Unit: '000 Currency: RMB

Item	2019 Interim	2018 Interim	Change in amount
1. Investment income attributable to associates:			
Shuiguan Extension	**4,637**	4,146	492
Guangwu Project	**20,246**	19,324	922
Yangmao Expressway	**41,646**	47,173	-5,527
Jiangzhong Expressway	**18,714**	11,782	6,932
GZ W2 Expressway	**31,323**	29,014	2,309
Nanjing Third Bridge	**29,583**	27,916	1,667
Derun Environment	**97,105**	92,446	4,659
Bank of Guizhou	**60,687**	50,878	9,810
Others Note 1	**-3,551**	2,606	-6,157
Subtotal	**300,390**	285,283	15,107
2. Investment income arising from transfer of subsidiaries	**267,176**	–	267,176
3. Dividend received from United Electronic Company	**28,080**	–	28,080
4. Investment income from wealth management products	**1,445**	3,329	-1,883
Total	**597,091**	288,612	308,479

Note 1: Investment income attributable to the Consulting Company and United Land Company.

6. *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 the Reporting Period, the Group's net cash inflows from operating activities amounted to RMB786,461,000 (2018 interim: RMB1,595,146,000), representing a YOY decrease of 50.70%, which was mainly due to the YOY increase in the payment of related taxes and the receipt of freight compensations by Coastal Company for the corresponding period of last year. In addition, the recurring cash return on investments from associates Note amounted to RMB189,716,000 (2018 interim: RMB67,673,000), representing a YOY increase of RMB122,043,000.

Note: The recurring cash return on investments refers to the cash distribution (including profit distribution) from the Company's associates. According to the articles of association of the Company's 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 recurring 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: During the Reporting Period, the Group's net cash from investing activities recorded a YOY increase of approximately RMB960 million, which was mainly attributable to the remaining capital reduction of United Land Company and the transfer money from the transfer of equity interests in four subsidiaries including Guizhou Shengbo.

Descriptions on the reasons for changes in net cash flows from financing activities: During the Reporting Period, the Group's net cash outflow from fund raising activity increased by approximately RMB260 million YOY, which was mainly due to the YOY increase in profit distribution and receipt of the shareholder loan from United Land Company in the current period.

7. *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 note III\17(1) and 31(2) to the Financial Statements in this report.

During the preliminary stages of toll highways' operation, the amortised amount calculated by the units-of-usage 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 amortisation methods based on its share of interests was RMB142 million (2018 interim: RMB145 million), representing a decrease in the difference in amortisation. 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.

Management Discussion and Analysis

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

1. Coastal Company Recognised Deferred Income Tax Assets in respect of Partially Deductible Losses and Impairment of Road Assets, etc. Incurred in Previous Periods

In order to improve the financial position of Coastal Company, during the Reporting Period, the Company completed the capital injection of RMB4.1 billion into Coastal Company. According to the forecast on future profitability of Coastal Company, a deferred income tax assets of approximately RMB511,616,000 was recognised in respect of partially compensable losses and impairment of road assets incurred in previous periods, and the Group's net profit increased by approximately RMB511,616,000 accordingly. Details are set out in note V\20 to the Financial Statements in this report.

2. Investment Income Arising from Transfer of 100% Equity Interests and Creditor's Rights in Four Subsidiaries Including Guizhou Shengbo

During the Reporting Period, the Group has completed the relevant procedures about transfer of 100% equity interests and creditor's rights in Guizhou Shengbo, Guizhou Hengfengxin, Guizhou Henghongda and Guizhou Yehengda. The Group recognised the equity transfer income of RMB267,176,000 and recorded an increase of RMB140,267,000 in the net profit after tax of the Group. Details are set out in note V\48 and note VI\2 to the Financial Statement in this annual report.

3. 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 depreciation of RMB, the Group recognised RMB14,859,000, which, deducting the exchange loss from the USD debenture held during the Reporting Period, was the exchange lock-in gains. Details are set out in note V\49 to the Financial Statements in this report.

(III) Analysis of Business Management by Industry, Product or Region

1. Breakdown of main business by industry and product

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	2,204,299	1,052,313	52.26	-10.48	-9.63	Decrease by 0.45 percentage points
	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	422,006	226,605	46.30	8.98	14.39	Decrease by 2.54 percentage points
Jihe East	370,418	144,284	61.05	1.09	-4.23	Increase by 2.16 percentage points
Jihe West	321,785	54,180	83.16	1.83	-1.65	Increase by 0.60 percentage points
Shuiguan Expressway	308,281	231,124	25.03	-0.78	9.38	Decrease by 6.97 percentage points
Coastal Expressway	251,688	135,569	46.14	17.00	19.89	Decrease by 1.30 percentage points
Wuhuang Expressway	200,770	103,286	48.55	5.63	-12.81	Increase by 10.89 percentage points
Yichang Expressway	195,510	96,066	50.86	-4.54	1.31	Decrease by 2.83 percentage points
Changsha Ring Road	70,296	25,823	63.27	1.18	19.25	Decrease by 5.56 percentage points
Meiguan Expressway	63,545	35,376	44.33	4.62	3.29	Increase by 0.72 percentage points
Total Note 1	**2,204,299**	**1,052,313**	**52.26**	**3.95**	**5.50**	**Decrease by 0.70 percentage points**

Note 1: Excluding the relating revenue and cost of services of the Three Projects for the corresponding period of last year.

2. Breakdown of main business by region

Unit: '000 Currency: RMB

Region	Revenue	YOY change in revenue (%)
Guangdong Province	1,737,722	-13.03
Hubei Province	200,770	5.63
Hunan Province	265,807	-3.09
Total	**2,204,299**	**-10.48**

Description:

During the Reporting Period, the overall gross profit margin of the Group's ancillary toll roads was 52.26%, representing a YOY decrease of 0.45 percentage points. The change in gross profit margin was mainly attributable to the repurchase of the Three Projects as well as the changes in toll revenue, special maintenance expenses and depreciation and amortisation expenses of each road section, but the overall change was slight.

Management Discussion and Analysis

(IV) 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 associates, which accounts for 60.66% of its total assets, and cash at bank and on hand as well as other assets, which accounts for 11.36% and 27.98% of its total assets, respectively. As at 30 June 2019, the Group's total assets amounted to RMB41,352,916,000 (as at 31 December 2018: RMB41,100,850,000), representing a slight increase over the end of 2018.

As at 30 June 2019, the total outstanding amount of interest-bearing liabilities of the Group was RMB14,030,705,000 (as at 31 December 2018: RMB13,922,655,000), which was basically the same as that of the beginning of 2019. In the first half of 2019, the Group's average borrowing scale was RMB13.9 billion (2018 interim: RMB21.4 billion), representing a YOY decrease of 35%.

The 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
Transactional financial assets	**59,963**	0.15	45,103	0.11	32.95	(1)
Prepayments	**233,020**	0.56	166,448	0.40	40.00	(2)
Other receivables	**401,919**	0.97	1,580,256	3.84	-74.57	(3)
Assets held for sale	**–**	–	296,641	0.72	-100.00	(4)
Other current assets	**57,784**	0.14	264,155	0.64	-78.13	(5)
Construction in progress	**18,187**	0.04	31,264	0.08	-41.83	(6)
Long-term prepaid expenses	**28,129**	0.07	5,962	0.01	371.78	(7)
Deferred tax assets	**676,416**	1.64	172,392	0.42	292.37	(8)
Accounts receivable	**313,778**	0.76	174,639	0.42	79.67	(9)
Contract assets	**349,017**	0.84	166,842	0.41	109.19	
Goodwill	**156,040**	0.38	–	–	N/A	
Notes payable	**60,739**	0.15	–	–	N/A	
Estimated liabilities	**8,170**	0.02	–	–	N/A	
Right-of-use asset	**172,629**	0.42	–	–	N/A	(10)
Lease liability	**148,981**	0.36	–	–	N/A	
Short-term borrowings	**483,676**	1.17	117,425	0.29	311.90	(11)
Employee benefits payable	**118,815**	0.29	221,882	0.54	-46.45	(12)
Taxes payable	**247,463**	0.60	1,353,424	3.29	-81.72	(13)
Other payables	**3,544,741**	8.57	2,396,829	5.83	47.89	(14)
Other non-current liabilities	**64,185**	0.16	128,370	0.31	-50.00	(15)

Descriptions:

(1) Foreign exchange swap instruments were under the influence of exchange rate fluctuation.

(2) Prepaid land-transferring fund of Guilong Development Project.

(3) Receipt of the remaining compensation from the government for the repurchase of the Three Projects and the remaining capital reduction of United Land Company and interests.

(4) Complete the transfer procedures of 100% equity interests and creditor's rights of four subsidiaries including Guizhou Shengbo.

(5) The wealth management products from banks were matured.

(6) Completion of toll station expansion project, etc.

(7) Pay the decoration fee for long-term rental apartment project.

(8) Coastal Company recognised deferred income tax assets in respect of partially deductible losses and impairment of road assets incurred in previous periods.

(9) Items in related statements increase due to the consolidation of Nanjing Wind Power into the financial statement.

(10) Please refer to Note III\32 to the Financial Statements for effect of changes in accounting policies.

(11) Increase short-term borrowings in light of the adequacy of funds in the marketplace.

(12) Pay the employees' performance bonus for the year 2018.

(13) Pay related taxes and expenses for the disposal of the assets of the Three Projects.

(14) Dividend for H shares payable and receipt of shareholder loan from United Land Company.

(15) Amortisation of advanced freight compensation income from Coastal Expressway.

Management Discussion and Analysis

2. *Restriction of main assets as at the end of the Reporting Period*

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

Assets	Type	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 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 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 repayment of all liabilities by Outer Ring Company under the loan agreement
Toll collection rights of Coastal Expressway Note 3	Pledge	A consortium including China Development Bank, etc.	Principal and interests of bank loans in an aggregate amount of RMB5.4 billion	Until repayment of all liabilities under the loan agreement

Notes 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 held by Qinglian Company was RMB1.684 billion.

(2) Outer Ring Company, a wholly-owned subsidiary of the 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 toll collection rights and the operating activities of Outer Ring Expressway. As at the end of the Reporting Period, the balance of such consortium loans held by Outer Ring Company was RMB2.77 billion.

(3) Pledged by Coastal Company, a controlling subsidiary of the Company. As at the end of the Reporting Period, the balance of such consortium loans was RMB3.518 billion.

(4) In addition, as at the end of the Reporting Period, the Group had a monetary fund of RMB1,942 million for restricted entrust project management account deposits.

(5) Details of the restrictions on the Group's major assets at the end of the Reporting Period are set out in note V\55 to the Financial Statements in this report.

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. As at the end of the Reporting Period, the debt-to-asset ratio and the net borrowings-to-equity ratio of the Group decreased 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	30 June 2019	31 December 2018
Debt-to-asset ratio (Total liabilities/Total assets)	**51.68%**	52.46%
Net borrowings-to-equity ratio ((Total borrowings – cash and cash equivalents)/Total equity)	**56.43%**	58.04%
	2019 interim	2018 interim
Interest covered multiple ((Profit before tax + interest expenses)/Interest expenses)	**5.74**	3.60
EBITDA interest multiple (Earnings before interests, tax, depreciation and amortisation/Interest expenses)	**8.18**	5.29

4. *Liquidity and Cash Management*

During the Reporting Period, the Group distributed the dividend for 2018, leading to a decrease in the net current assets of the Group as at the end of the period. Based on the Group's financial status and capital needs, the Group will strengthen the overall fund arrangements for subsidiaries and key projects, continue to optimise the capital structure, maintain appropriate cash on hand, and sufficient bank credit lines to prevent liquidity risks.

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. Detailed information on wealth management products can be found in "Material Contract Progress" below.

Unit: Million Currency: RMB

	30 June 2019	31 December 2018	Change in amount
Net current assets	**407**	1,487	-1,081
Cash and cash equivalents	**2,755**	2,581	174
Banking facilities available	**11,963**	13,084	-1,121

Management Discussion and Analysis

5. *Capital Expenditure Plan*

As at the approval date of this report, the Group's capital expenditures mainly include the investment in Outer Ring Project, the construction expenditures of projects such as Coastal Phase II project, and the investment in mechanical and electrical equipment in the auxiliary operation sections. It is estimated that by the end of 2021, the total capital expenditure of the Group will be approximately RMB5.5 billion. The Group plans to use its self-owned funds and bank loans to meet the funding needs. According to the assessment of the Directors, the Group's financial resources and financing capabilities are currently able to meet the needs of various capital expenditures.

The Group's main capital expenditure plan approved by the Board for the second half of 2019–2021 is as follows:

Unit: '000 Currency: RMB

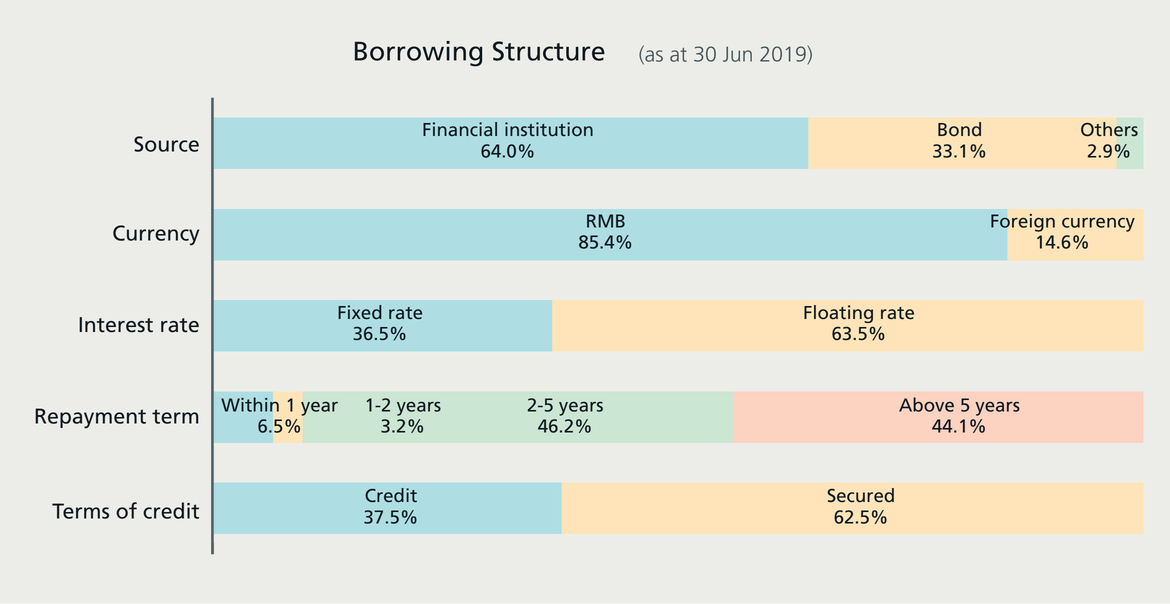
Name of item	Second half of 2019	2020	2021	Total
I. Intangible assets and fixed assets investment				
Outer Ring Project	**380,003**	2,024,847	1,234,369	3,639,219
Reconstruction and expansion of Meiguan Expressway	**3,951**	–	–	3,951
Qinglian Project	**13,929**	3,000	–	16,929
Nanguang Project	**18,433**	–	–	18,433
Coastal Phase II	**13,516**	18,340	18,340	50,196
Earlier Expenditure for Reconstruction and Extension of Jihe Expressway	**88,127**	400,000	–	488,127
Investments in ETC equipment due to the abolition of provincial boundary toll stations	**438,000**	–	–	438,000
Other investments (mechanical and electrical equipment investment, etc.)	**213,525**	80,120	81,446	375,090
II. Equity investment				
Reconstruction and expansion of Yangmao Expressway	**51,250**	208,170	208,170	467,590
Total	**1,220,733**	2,734,477	1,542,325	5,497,535

6. *Financial Strategies and Financing Arrangements*

During the Reporting Period, the central bank continued to implement the stable and loosen monetary policy and increased the liquidity through the cutting of requirement reserve rate and the open market operations, leading to a decrease in the price of funds. During the Reporting Period, the Group used its self-owned funds and some bank loans to meet the capital needs of debt repayment, investment expenditures and dividend distribution, etc. The Group negotiated with the financial institutions to cut the rates of some existing debts due to changes in the market profiles in order to further lower finance cost. The Group adjusted the debt entities of the members under the Group through coordination to enhance the overall economic effects of the Group. Meanwhile, the Group utilised its own capital and certain low-cost financing to repay bank loans with higher interest rate in advance based on the demands for operating expenses and the development of project investment, so as to lower finance cost, optimise the debt structure and control financial risks.

During the Reporting Period, the Group did not have any overdue principal and interests for debts.

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 where Fitch upgraded the rating of the Company to "BBB" from "BBB-". As for credit ratings of debt, corporate bonds and medium-term notes remained at the highest credit rating of AAA and US dollar bonds remained at the investment grade rating of BBB (by S&P, Fitch) and Baa2 (by Moody's).

As at 30 June 2019, the Group had obtained a total of RMB24.3 billion of banking facilities, including RMB15.9 billion of credit facilities specifically for construction projects and RMB8.4 billion of general credit facilities. As at the end of the Reporting Period, un-utilised banking facilities amounted to RMB12 billion.

7. *Contingencies*

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

Management Discussion and Analysis

(V) Analysis of the Investment

1. *External Equity Investments*

(1) Material Equity Investments

During the Reporting Period, the total equity investment of the Group amounted to approximately RMB568 million (2018 interim: RMB58 million), representing a YOY increase of RMB510 million, mainly due to the acquisition of equity interests and the increase of capital in Nanjing Wind Power during the Reporting Period. For details, please refer to the content in "Business Review" above. The details of material equity investments during the Reporting Period are as follows:

Unit: '000 Currency: RMB

Name of Investee company	Major business	Shareholding	Investment amount in 2019 interim	Description
Yangmao Company	Investment, construction and operation management of Yangjiang-Maoming Expressway and development of its supporting service projects	25%	**57,500**	The approved estimated budget for Yangmao reconstruction and expansion project is estimated to be RMB8.0 billion (35% are self-raised funds), and the Company should invest RMB700 million according to the 25% shareholding ratio. During the Reporting Period, the Company paid RMB58 million according to shareholding ratio and project progress.
Nanjing Wind Power	Engaging in the research, integration, production, installation, sales and maintenance of wind power generation system, as well as investment and operation of wind farms	51%	**510,000**	During the Reporting Period, the Company's subsidiary, Environment Company, acquired 30% equity interests in Nanjing Wind Power at a consideration of RMB210 million and made a one-way contribution of RMB300 million. Upon completion of this acquisition and capital increase procedures, Environmental Company had held a total of 51% equity interest in Nanjing Wind Power.

(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 construction of Outer Ring Project, upgrade of Qinglian Class I Highway to an expressway, and reconstruction and expansion for Meiguan Expressway, the investment in road properties and mechanical and electrical facilities of the highway sections operated by subsidiaries, and capital expenditures of the subsidiaries, totalling approximately RMB765,926,000. The investments in major projects are as follows:

Unit: '000 Currency: RMB

Project name	Project amount	Project progress	Amount invested during the Reporting Period	Accumulated amount invested	Gains from the project
Outer Ring Project	6,500,000	56%	**661,686**	2,861,915	For details of the operational performance of Qinglian Project (except for Outer Ring Project and Coastal Phase II, which are at the stage of construction) during the Reporting Period, please refer to the Analysis of Main Business are set out above.
Qinglian Project	6,125,390	100%	**6,071**	6,098,325	
Coastal Phase II	1,000,000	32%	**4,828**	15,299	
Total	/	/	**672,586**	8,975,540	/

(3) Financial Assets at Fair Value

Unit: '000 Currency: RMB

Project name	As at 31 December 2018	**Balance As at 30 June 2019**	Change during the Reporting Period	Amount affecting the total profit during the Reporting Period
Transactional financial assets	45,103	**59,963**	14,859	14,859
Other non-current financial assets	180,439	**189,779**	9,340	9,340

(VI) Sale of Material Assets and Equity

During the Reporting Period, the Group's material equity sale mainly involved the transfer of 100% equity and creditor's rights of four subsidiaries including Guizhou Shengbo. For details, please refer to point II "Description on Material Changes in Profits from Non-main Business" above. During the Reporting Period, no material assets were sold.

(VII) Analysis of Major Controlling Companies and Participating Companies

Unit: '000 Currency: RMB

			30 June 2019		2019 interim			
Company name	Percentage of interests held by the Group	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit/ (net loss)	Principal business
Meiguan Company	100%	332,400	865,302	544,767	70,148	27,953	20,794	Construction, operation and management of Meiguan Expressway
Jihe East Company	100%	440,000	1,966,711	1,540,829	371,746	225,833	166,722	Construction, operation and management of Jihe East
Mei Wah Company	100%	HKD795,381	1,783,919	1,145,169	200,770	136,016	108,884	Indirectly holding 25% interests in Qinglian Company, 10% interests in Qinglong Company and 100% interests in Magerk Company
Qinglian Company	76.37%	3,361,000	6,891,256	2,831,072	424,886	106,391	82,704	Construction, operation and management of Qinglian Expressway and related auxiliary facilities
JEL Company	100%	USD30,000	693,518	583,918	200,770	101,766	76,254	JEL Company: investment holding (holding interests in Magerk Company); Magerk Company: toll collection and management of Wuhuang Expressway
Qinglong Company	50%	324,000	3,423,416	2,143,359	310,394	62,375	48,155	Development, construction, toll collection and management of Shuiguan Expressway
Investment Company	100%	400,000	2,159,302	794,687	341,462	324,864	162,440	Investment in industries and project construction
Guishen Company	70%	500,000	2,030,890	1,096,414	338,958	344,608	179,525	Guishen Company: Investment, construction and management of road and urban and rural infrastructure; Guizhou Property: real estate development at "Interlaken Town" in Longli, Guizhou
Yichang Company	100%	345,000	2,928,707	1,450,828	195,510	76,543	56,410	Construction, operation and management of Yichang Expressway
Coastal Company	100%	4,600,000	8,306,407	6,081,724	252,575	21,913	535,002	Investment in the construction and operation of the Shenzhen section of the Guangzhou-Shenzhen Coastal Expressway

Management Discussion and Analysis

			30 June 2019		2019 interim			
Company name	Percentage of interests held by the Group	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit/ (net loss)	Principal business
United Land Company	34.3%	714,286	9,918,975	3,364,337	–	-12,124	-12,137	As the reporting entity and legal person for the Meilin Checkpoint Urban Renewal Project, it is responsible for acquiring the land, demolition and relocation and other works in respect of the Meilin Checkpoint Urban Renewal Project
Environment Company	100%	5,000,000	6,127,566	5,288,140	–	81,204	87,329	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 51% and 20% equity interests held in Nanjing Wind Power and Derun Environment, respectively
Derun Environment	20%	1,000,000	39,315,067	15,254,937	4,540,495	1,100,248	485,526	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 Sanfeng Environmental, respectively
Nanjing Wind Power	51%	357,143	1,168,925	682,233	–	-11,872	-11,807	The research, integration, production, installation, sales and maintenance of wind power generation system, as well as investment and operation of wind farms
Outer Ring Company	100%	100,000	3,698,171	100,000	–	–	–	Investment in the construction and operation of the Shenzhen section of Outer Ring Expressway

Note: the table above is consolidated. The income and the net profit of Nanjing Wind Power for the first half of 2019 in the table above were the amounts realised upon the completion of acquisition of relevant equity interests. 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 this section.

(VIII) Changes in Accounting Policies

1. Impact of Implementing New Accounting Standards

At the end of 2018, the Ministry of Finance of the People's Republic of China issued the revised Accounting Standards for Business Enterprises No. 21 – Lease (the "New Lease Standard"). In accordance with the requirements of the standard, as the Company is an A+H listed company, the Group began to adopt the New Lease Standard and change the relevant accounting policies from 1 January 2019. The changes in this accounting policy have been reviewed and approved at the 15th meeting of the 8th session Board of Directors of the Company. For details, please refer to the announcement of the Board's resolution dated 22 March 2019.

The Group has applied the New Lease Standard since 1 January 2019. According to the relevant requirements of the convergence rules in the New Lease Standard, it is optional to adjust the amount of the retained earnings and other relevant accounts at the beginning of the year when the New Lease Standard is initially implemented based on the cumulative impact of the initial implement of the New Lease Standard without adjusting the information for the comparable period. During the Reporting Period, the Group has adopted the New Lease Standard, and discounted the remaining lease payment based on the lessee incremental borrowing rate as of the first implementation date of the New Lease Standard, recorded RMB124,331,000 as lease liability and recognised RMB132,917,000 as right-of-use asset. The difference of RMB8,586,000 between the lease liability and the right-of-use asset is the prepaid lease payment. During the Reporting Period, the new right-of-use asset and lease liability are both in the amount of RMB54,178,000, the amortised right-of-use asset is RMB14,466,000, recognised interest expenses for lease liability in amount of RMB2,841,000, and less the lease liability by RMB15,525,000 as a result of lease payment.

2. *Impact of Changes in Accounting Estimates*

According to the Company's requirements under relevant accounting policies and systems, and in view of the actual situation of each main toll roads, the Group changed relevant accounting estimates of unit amortisation amount of the concession intangible assets of Jihe East, Jihe West as well as Meiguan Expressway with effect from 1 April 2019. Above changes in accounting estimates have resulted in an increase of approximately RMB11,691,000 in equity attributable to owners of the Company for the year ended 30 June 2019 and an increase of approximately RMB11,691,000 in the Group's net profit for the Reporting Period. However, there were no overall material impact on the financial position and operating results of the Group.

3. *Impact of the Revision of the Report Format*

Pursuant to the Notice on Format Revision of 2019 Annual General Financial Statements issued by the Ministry of Finance in April 2019 (Accounting [2019] No. 6), since the Company has implemented the above New Lease Standard, it should prepare its financial statement in accordance with Appendix 2 pursuant to the requirement of the said notice. Adoption of the new statement format mainly concerns the reclassification of the Group's assets, liabilities and profit and loss items in the financial statements of the Group, and there will be no significant impact on the net assets and net profit attributable to the shareholders of the Company.

The above changes in accounting policies and accounting estimates have been reviewed and approved at the 19th meeting of the 8th session Board of Directors of the Company. For details, please refer to note III\32 to the Financial Statements in this report and the relevant announcements dated 23 August 2019 of the Company.

(IX) Proposals of Profit Distribution or Conversion of Capital Reserve into Share Capital

1. *Profit Distribution Proposal for 2019 Interim*

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2019 (2018 Interim: Nil), nor does it recommend any conversion of capital reserve into share capital.

2. *Implementation of the Annual Profit Distribution Proposal for 2018*

In accordance with the resolution passed in the 2018 annual general meeting, the Company distributed a final dividend of RMB0.71 per share (tax inclusive) in cash for 2018 to all shareholders, amounting to RMB1,548,346,931.46, which was calculated by reference to the total share capital of 2,180,770,326 shares of the Company as at the end of 2018. The profit distribution proposal was completed by 23 July 2019.

Management Discussion and Analysis

III. Outlook and Plans

In the first half of 2019, there have been no significant changes in the Group's external policies and operating environment, industry competition landscape and development trend as well as major risk factors.

According to the"2015–2019 Development Strategies" of the Company, the Company will "pursue a market-oriented and innovation-driven strategy, 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 industry direction so as to achieve the sustainable development of the Company". In view of the promising development prospect and immense business opportunities in domestic transport infrastructure, comprehensive urban exploration and the general-environmental protection industry, as well as the compatibility of the business model and core competitiveness, the Company has basically determined 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 diversity and development of its business to ensure the stable and sustainable development of its business operation. The Company is conducting an in-depth and detailed review and evaluation regarding the implementation of the strategy for the period and is formulating new development strategy so as to provide clear direction for the medium and long-term development in the future.

In the second half of 2019, the working focuses for the Group are as follows:

Toll Highway Business: In accordance with deployment of government departments of all levels, the Group will complete the full upgrade and reform of the existing tolling system and achieve the goal of abolition of provincial boundary highway toll stations and non-stop express toll collection so as to improve the efficiency of the road network and thereby improving the user's experience on an ongoing basis. In terms of project construction, the Group will strive to maintain the construction quality of Coastal Phase II and Section A of Outer Ring, making them high quality projects. Realising smart management through intelligent collection and summary integration will lay the foundation for the further enhancement and application of smart sites in the future.

General Environmental Protection: The Group will further enhance the communication and cooperation with other shareholders and existing management of Nanjing Wind Power Project and ensure its smooth transition in production and operation management, thereby creating benefits for the Group. The Group will focus on the development in sub-sectors emphasising the environmental industrial parks in regions such as Shenzhen-Shanwei Special Cooperation Zone. Also, it will enhance the communication and cooperation with Water Planning Company, Derun Environment and Nanjing Wind Power and fully utilise the existing joint venture/cooperation platform to seek in-depth cooperation opportunities.

Strategic Research and Business Expansion: 2019 marks the end of the "2015–2019 Development Strategies". The Group is conducting a review regarding the implementation of the strategy and will formulate new development strategy. Given the current strategic positioning as a "Construction and Operation Service Provider of Urban and Transport Infrastructure", on one hand, the Group will need to make efforts in research, reserves, selection and examination of projects on toll highway and environmental sub-sectors that are in line with the Company's development strategies so as to explore business models which are in the interest of the Group; on the other hand, the Group will also need to actively facilitate various works in respect of the existing projects, including the preliminary work of the transformation and expansion of Jihe Expressway, the land development and cash realisation of Guilong Land, the construction and follow-up of Duohua Bridge Project, and the development and sales in relation to Meilin Checkpoint Renewal Project.

Financial Management and Corporate Governance: The Group will actively respond to changes in financial policies and market conditions. To ensure smooth flow of financing channels, strengthen medium and long-term forecast management, optimise capital structure and achieve the targets of ensuring financial safety and reducing financial costs, the Group will continue to strengthen the cooperation with banks and enterprises, closely follow the bond market and maintain sound fund management and financing. The Group will also adhere to the principles of good corporate governance, improve corporate governance, and establish and improve various operational rules to meet the new requirements for the new landscape. Moreover, the effective improvement of the transparency and independence of the Company's operations will be promoted as well as the healthy and stable development of the Company.

Directors, Supervisors and Senior Management

I. Changes of the Directors, Supervisors and Senior Management

1. Personnel Changes

Name	Position	Change	Reason for the change
WEN Liang	Director	Newly appointed. Mr. Wen Liang was appointed as a director of the eighth session of the Board of the Company in the first extraordinary general meeting on 4 March 2019. The Board of the Company appointed Mr. Wen as a member of Risk Management Committee on 22 March 2019.	Elected at the General Meeting/ Approved by the Board

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

1. Changes in Shareholding

During the Reporting Period, none of the Directors, the Supervisors or the Senior Management had held or traded the stock of the Company or be granted equity incentive by the Company.

2. Disclosure of Interests of the Management Pursuant to the Listing Rules of HKEx

As at 30 June 2019, the interests or short positions of the Directors, the Supervisors or the Chief Executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part 15 of Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) which were required to be entered into the register maintained by the Company under Section 352 of Securities and Futures Ordinance (including deemed interests and short positions under such provisions of Securities and Futures Ordinance) or which were required to be notified to the Company and HKEx pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (collectively, "interests or short positions") were as follows:

Long positions in ordinary shares of Shenzhen International:

Name	Number of ordinary shares held as at 30 June 2019	Change during the Period	Approximate percentage of ordinary shares in issued share capital of Shenzhen International	Nature of interests	Capacity
Hu Wei	130,315	+9,599	0.006%	Personal	Beneficial owner
Liao Xiangwen[(3)]	16,192	+1,192	0.00075%	Family interests	Beneficial owner
Chen Yan	120,312	+8,862	0.0056%	Personal	Beneficial owner
Fan Zhi Yong[(3)]	107,951	+7,951	0.005%	Family interests	Beneficial owner
Chen Kai	108,745	+108,745	0.005%	Personal	Beneficial owner

Interests in share option of Shenzhen International:

Name	Options	Share options unexercised as at 30 June 2019(1)(2)	Change during the Reporting Period				Nature of Interests	Capacity
			Adjustment during the Reporting Period	Granted during the Reporting Period	Exercised	Lapsed		
Hu Wei	share option scheme 1	–	–	–	–	-278	Personal	Beneficial owner
	share option scheme 2	1,080,722	72,962	–	–	–		
Liao Xiang Wen(3)	share option scheme 1	–	–	–	–	–	Family interests	Beneficial owner
	share option scheme 2	432,289	29,185	–	–	–		
Chen Yan	share option scheme 1	–	–	–	–	–	Personal	Beneficial owner
	share option scheme 2	580,177	39,169	–	–	–		
Fan Zhi Yong	share option scheme 1	–	–	–	-148,863	–	Personal	Beneficial owner
	share option scheme 2	648,433	43,777	–	–	–		
Chen Kai	share option scheme 1	–	–	–	-111,735	–	Personal	Beneficial owner
	share option scheme 2	580,177	39,169	–	–	–		
Wang Zeng Jin	share option scheme 1	–	–	–	–	-450	Personal	Beneficial owner

Note:

(1) The share option scheme 1 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. The share options were expired on 29 January 2019.

(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. On 24 June 2019, Shenzhen International adjusted the exercise price and quantity of the outstanding options. The exercise price was adjusted from HK$11.904 per share to HK$11.000 per share.

(3) The interests are owned by the spouse of Liao Xiang Wen and Fan Zhi Yong respectively, both Directors.

Saved as disclosed above, as at 30 June 2019, none of the Directors, the Supervisors or the Chief Executive had interests or short positions defined above.

3. Model Code for Securities Transactions by Directors and Supervisors

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

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

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. Information of Shareholders

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

1. Total Number of Shareholders:

The total number of shareholders of the Company was 18,163, of which 17,932 were holders of A Shares and 231 were holders of H Shares.

2. Information of the Top Ten Shareholders and the Top Ten Holders of Non-restricted Circulating Shares of the Company

Unit: share

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
HKSCC NOMINEES LIMITED Note	-58,000	730,083,099	33.48	—	Unknown	Overseas legal person
Xin Tong Chan Development (Shenzhen) Company Limited	—	654,780,000	30.03	—	None	State-owned legal person
Shenzhen Shen Guang Hui Highway Development Company Limited	—	411,459,887	18.87	—	None	State-owned legal person
China Merchants Expressway Network & Technology Holdings Company Limited	—	87,211,323	4.00	—	None	State-owned legal person
Guangdong Roads and Bridges Construction Development Company Limited	—	61,948,790	2.84	—	None	State-owned legal person
Hong Kong Central Clearing Company Limited	-16,321,972	34,254,919	1.57	—	Unknown	Domestic non-state-owned legal person
PICC Property and Casualty Company Limited – Tradition – Return Portfolio	—	12,161,143	0.56	—	Unknown	Domestic non-state-owned legal person
AU SIU KWOK	—	11,000,000	0.50	—	Unknown	Overseas natural person
China Life Insurance Company Limited – Dividend – Individual Dividend – 005L – FH002 Shanghai	+8,356,700	8,356,700	0.38	—	Unknown	Domestic non-state-owned legal person
China Life Insurance Company Limited – Tradition – General Insurance Products – 005L – CT001 Shanghai	+6,854,767	6,854,767	0.31	—	Unknown	Domestic non-state-owned legal person

The top ten holders of non-restricted circulating shares		
Name of shareholder	Number of non-restricted circulating shares held	Type of shares
HKSCC NOMINEES LIMITED [Note]	730,083,099	H Share
Xin Tong Chan Development (Shenzhen) Company Limited	654,780,000	A Share
Shenzhen Shen Guang Hui Highway Development Company Limited	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
Hong Kong Central Clearing Company Limited	34,254,919	A Share
PICC Property and Casualty Company Limited – Tradition – Return Portfolio	12,161,143	A Share
AU SIU KWOK	11,000,000	H Share
China Life Insurance Company Limited – Dividend – Individual Dividend – 005L – FH002 Shanghai	8,356,700	A Share
China Life Insurance Company Limited – Tradition – General Insurance Products – 005L – CT001 Shanghai	6,854,767	A Share
Connected relationship or concerted action relationship among the abovementioned shareholders	XTC Company and SGH Company are connected persons under the same control of Shenzhen International. There is no connected relationship among the state-owned shareholders in the above table. The Company did not notice any connected relationship among the other abovementioned shareholders or any connected relationship among the abovementioned state-owned shareholders and other shareholders.	

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

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

As at 30 June 2019, 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
Advance Great Limited	Beneficial owner	52,612,000(L)	7.03%(L)
Shenzhen International(2)	Interest of corporation controlled(3)	52,612,000(L)	7.03%(L)
SIHCL	Interest of corporation controlled(4)	52,612,000(L)	7.03%(L)

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

Share Capital and Shareholders

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 52,612,000 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 58,194,000 H shares of the Company as at 30 June 2019, while 58,194,000 H Shares were indirectly held by Shenzhen International and SIHCL.

(4) SIHCL indirectly held approximately 44.17% interests in Shenzhen International. Pursuant to Securities and Futures Ordinance, SIHCL was deemed to be interested in shares of the Company owned by Shenzhen International.

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 30 June 2019.

4. The Controlling Shareholders and the De-facto Controller

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

III. Others

Purchase, Sale or Redemption of Securities

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

Significant Events

Information on General Meeting

In the first half of 2019, 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:

Name of the meeting	Convening date	The Query Index of the Specified Website	Disclosing Date
The First Extraordinary General Meeting 2019	4 March 2019	http://www.sse.com.cn	5 March 2019
The First Class Meeting 2019 for Holders of A Share		http://www.hkexnews.hk	
The First Class Meeting 2019 for Holders of H Share			
The 2018 Annual General Meeting	22 May 2019		23 May 2019
The Second Class Meeting 2019 for Holders of A Share			
The Second Class Meeting 2019 for Holders of H Share			

Progress of the Public Issuance of A Share Convertible Corporate Bond

On 28 December 2017, the Company's First Extraordinary General Meeting 2017 and class meeting of shareholders reviewed and approved the proposal of public issuance of A Share Convertible Corporate Bonds with validity period of one year, respectively. As the Company's application for issuance is still pending review by the China Securities Regulatory Commission, in order to ensure the smooth process of the issuance, the Company proposed to extend the validity period of the resolutions regarding the issuance proposal and the authorisation granted to the Board by the General Meeting and class meetings of shareholders to 27 December 2019. Apart from the extension of validity period of the resolutions and authorisation, other terms of the issuance proposal which have been considered and approved by the Company's First Extraordinary General Meeting 2017 and class meetings of shareholders remained unchanged. The matter has been considered and approved by the general meeting and class meetings of shareholders of the Company. For details, please refer to the announcements of the Company dated 28 December 2017, 28 December 2018 and 4 March 2019, respectively. The public issuance of A Share Convertible Corporate Bonds by the Company is subject to the approval of the China Securities Regulatory Commission.

Significant Transaction

On 15 March 2019, the Group entered into an acquisition agreement with the vendor and the target company, pursuant to which the Group acquired 51% controlling equity interests in Nanjing Wind Power by ways of equity transfer and capital increase at a consideration of RMB510 million. Nanjing Wind Power is principally engaged in the research, integration, production, installation, sales and maintenance of wind power generation system, as well as investment and operation of wind farms. For more details, please refer to the announcement of the Company dated 15 March 2019. The transaction was completed during the Reporting Period.

Progress of 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 approximately 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 Section A of Outer Ring 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 by Outer Ring Company and each of the construction contractors in each construction section were RMB680 million, RMB614 million, RMB694 million, RMB571 million and RMB584 million, respectively.

Significant Events

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

As at the Reporting Date, none of the Company's funds are embezzled by its controlling shareholder or its related parties for non-operating purpose.

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 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 relevant announcement and circular in relation to the acquisition of interests in Wuhuang Expressway by the Company.

In mid-2019, the amount of entrusted assets and entrusted management fees accounted for by Magerk Company was RMB323,585,000 and RMB52,260,000, respectively. In mid-2019, Magerk Company recorded operating profit of RMB101,764,000, representing approximately 6.71% of the Group's operating profit, and net profit of RMB76,253,000, representing approximately 4.84% 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.

External Guarantees

Unit: RMB million, unless otherwise stated

External guarantees of the Company (excluding guarantees for subsidiaries)										
Name of the guarantor	Name of the guaranteed	Amount of Guarantee	Date of occurrence (date of the agreement)	Commencement of guarantee	Expiry of guarantee	Type of guarantee	Completed or not	Overdue or not	Counter guarantee provided or not	Guarantee for related party or not
The Company	China Construction Bank Shenzhen Branch	800	2007-4-20	Aug 2007	Repayment of principal and interest of the corporate bonds	Joint liability guarantee[1]	No	No	No	No
Guizhou Property	Customers of Shenzhen Expressway • Interlaken Town	825.82	2015–05 to 2019–06	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										82.55
Total balance of guarantees as at the end of the Reporting Period (A)										1,625.82
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)										1,625.82
Proportion of total amount of guarantees to the net assets of the Company (%)										9.33
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										N/A

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 considered and approved by the 4th meeting of the 7th session of the Board held on 30 June 2015, the 27th meeting of the 7th session of the Board held on 18 August 2017, and the 2017 annual general meeting held on 31 May 2018. It is expected the total amount of guarantees will not exceed RMB1.55 billion. During the Reporting Period, Guizhou Property provided periodic guarantees for 99 customers with an accumulated amount of RMB149,971,000 and the periodic guarantees with an amount of RMB67,420,000 provided in the prior periods had been released during the Reporting Period. As at the end of the Reporting Period, the actual amount of the guarantees provided by Guizhou Property is RMB825,821,000.

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

Guarantee Authorisation

The Company's 2017 annual general meeting held on 31 May 2018 considered and approved the proposal on the authorisation of the guarantees. The Board of the Company may provide guarantees for wholly-owned subsidiaries with total amount not more than RMB2.5 billion and for non-wholly-owned subsidiaries with total amount not more than RMB500 million as necessary, which were valid until the date of 2018 annual general meeting. The Company's 2018 annual general meeting subsequently held on 22 May 2019 considered and approved the proposal on the authorisation of the guarantees. The Board of the Company may provide guarantees for wholly-owned subsidiaries with total amount not more than RMB4.5 billion and for non-wholly-owned subsidiaries with total amount not more than RMB500 million as necessary. The guarantee includes guarantee for financing and guarantee for banker's letter of guarantee authorisation. The guarantee is valid from the date of approval by the general meeting to the date of 2019 annual general meeting. As at the Reporting Date, relevant guarantees have not occurred.

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[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
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 interest)
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 repayment of all liabilities under the loan agreement
Toll collection rights of Coastal Expressway[Note 3]	Pledge	A consortium including China Development Bank, etc.	Principal and interests of bank loans in an aggregate amount of RMB5.4 billion	Until repayment of all liabilities under the loan agreement

Significant Events

Description 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 RMB1,684 million.

Note 2: Outer Ring Company, a wholly-owned subsidiary of the Company, applied for bank loans in an aggregate amount of RMB6.5 billion from the consortium by pledging the proceeds and credits receivable from the toll collection rights and the operating activities legally owned by Outer Ring Expressway. As at the end of the Reporting Period, the balance of such consortium loans withdrawn by Outer Ring Company was RMB2,770 million.

Note 3: Pledged by Coastal Company, a wholly-owned subsidiary of the Company. As at the end of the Reporting Period, the balance of such consortium loans was RMB3,518 million.

Note 4: Furthermore, as at the end of the Reporting Period, the Group has restricted entrusted project management deposit in the amount of RMB1,942 million

Note 5: Details of the restriction on the major assets of the Group as at the end of the Reporting Period are set out in note V/55 to the Financial Statements in this report.

Entrusted Wealth Management

Unit: '000 Currency: RMB

Partner name	Type of entrusted wealth management product	Amount of entrusted wealth management	Commencement date	Maturity date	Method for determining revenue	Expected revenue	Actual recovery of principal amount	Actual revenue	Whether statutory procedures have been performed	Provision for impairment	Related party transaction or not	Involved in lawsuit or not	Sources of fund and whether financed by proceeds raised	Related relationship
China Development Bank Shenzhen Branch	Closed-end product with principal guaranteed and variable returns	200,000	23 October 2018	7 January 2019	Expected rate of return	1,624.1	200,000	1,624.1	Yes	–	No	No	No	None
Bank Of Shanghai Shenzhen Branch	Product with principal guaranteed and variable returns	100,000	26 March 2019	2 April 2019	Expected rate of return	61.4	100,000	61.4	Yes	–	No	No	No	None
Total	/	300,000	/	/	/	1,685.5	300,000	1,685.5	/	–	/	/	/	/
Cumulative amount of principal and revenue overdue (RMB)							–							
Description of entrusted wealth management							According to the resolution of the 4th meeting and 15th meeting of the 8th session Board of the Company, the Company had two transactions of short-term wealth management product with principal guaranteed in the amount of RMB300 million with the cooperation bank in the first half of 2019 on the condition of ensuring safety and liquidity of its capital. The actual revenue obtained is RMB1,685,500 (including tax). As at the end of the Reporting Period, the balance of wealth management products was RMB0, and there was no overdue principal and income that were not recovered.							

Other Agreements and Matters

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

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

Undertakings

Undertaking background	Undertaking type	Undertaking party	Undertaking details	Date and deadline for performance	Deadline for performance or not	Performed timely and strictly or not
Undertakings made in Acquisition Report or Report on the Change of Equity Interests	Other	Shenzhen International/ Shenzhen International Holdings (SZ) Limited	Undertake to avoid peer competition and regulate connected transactions, etc. For details, please refer to Detailed Report on the Change of Equity Interests (詳式權益變動報告書) 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.	Oct 2007	No	Yes
	Other	Shenzhen International	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 in 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.	Dec 2010 June 2011	Yes	Yes
	Other	SIHCL		Dec 2010 May 2011	Yes	Yes
Undertakings made related to IPO	Avoiding peer competition	XTC Company/ SGH Company	The undertaking parties will not engage in any industry or business in any form, which, directly or indirectly, competes with the Company in Shenzhen.	Jan 1997	No	Yes
Undertakings regarding refinancing	Other	Shenzhen International/XTC Company	Details of self-inspection on real estate business during the year of 2015–2017 have been accurately disclosed in the Self-inspection Report on Real Estate Business regarding the Public Issuance of A Share Convertible Corporate Bonds of Shenzhen Expressway Company Limited (《深圳高速公路股份有限公司關於公開發行A股可轉換公司債券之房地產業務自查報告》). As the controlling shareholders of the Company, they undertake that they shall indemnify any losses brought upon the Company and its investors in accordance with the provisions of relevant laws and administrative regulations and the requirements set out by the CSRC as the result of any undisclosed idled land, land speculation, deliberate withholding of properties from sale and raising housing prices in violation of any laws and regulations in relation to the real estate development project(s) of the Company within the scope of the self-inspection.	20 June 2018	No	Yes
	Other	the Directors, supervisors and senior management	Details of self-inspection on real estate business during the year of 2015–2017 have been accurately disclosed in the Self-inspection Report on Real Estate Business regarding the Public Issuance of A Share Convertible Corporate Bonds of Shenzhen Expressway Company Limited (《深圳高速公路股份有限公司關於公開發行A股可轉換公司債券之房地產業務自查報告》). As the Directors, supervisors and senior management of the Company, they undertake that they shall indemnify any losses brought upon the Company and its investors in accordance with the provisions of relevant laws and administrative regulations and the requirements set out by the CSRC as the result of any undisclosed idled land, land speculation, deliberate withholding of properties from sale and raising housing prices in violation of any laws and regulations in relation to the real estate development project(s) of the Company within the scope of the self-inspection.	20 June 2018	No	Yes

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 guarantor of vendor) entered into an agreement in relation to the proposed acquisition of interests in Hopewell Highway Infrastructure Limited ("HHI"). Upon the general offer and placing, SIHCL owned as to 71.83% equity interests in HHI as at 18 September 2018. HHI, a Hong Kong listed company, and its subsidiaries are principally engaged in highway infrastructure businesses in Guangdong Province and hold interests in Guangzhou-Shenzhen Expressway and Guangdong Guangzhou-Zhuhai West Expressway. HHI renamed as Shenzhen Investment Holdings Bay Area Development Company Limited ("Bay Area Development") on 30 April 2019.

Significant Events

Prior to the entering of the said agreement, SIHCL had enquired the Company if the Company desires to be the acquiring entity in the above acquisition without disclosing the name of the target company. Having considered the business of the target company and the 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 (including the independent non-executive Directors) was reported with the aforesaid matters, and conformed to the view that the Company should not take the acquisition. In the event that SIHCL completes the said acquisition, SIHCL will perform its obligations under the non-competition undertaking, further negotiate with the Company on the actual arrangement on the business of the target company and properly settle the matters in accordance with the non-competition undertaking.

In view of factors including both Bay Area Development and the Company are listed companies, and Bay Area Development does not has control over its PRC expressway assets, SIHCL and the Company will further negotiate on the arrangement of relevant business and resolve the matter as and when appropriate. The Company will pay close attention to the progress of related matters, negotiate with SIHCL, request SIHCL to fulfil the non-competition commitment in a reasonable way, and earnestly safeguard the interests of the Company.

Information on Corporate Governance

The Company is listed on both SSE and HKEx. The Company has to comply with the applicable laws and regulatory requirements for securities regarding the practice of corporate governance of both places. During the Reporting Period, the Company complied with the Company Law and the relevant requirements issued by China Securities Regulatory Commission. The Company has 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 achieve better corporate governance practices, for details, please refer to the content in Annual Report 2018 of the Company.

Investor Relationship Management

The management of the Company highly values the communication with its investors. In the first half of 2019, the Chairman, President, Chief Financial Officer, 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 organised by the Company in the following forms:

- Making the investor hotline and investor relations e-mail known to the public, establishing the Investors' Message section on the Company's website, and promptly responding to investors' inquiries. In the first half of 2019, the Company replied approximately 75 investors' inquiries through website, telephone or via e-mail.

- Properly arranging request of visits and researches from the investors. In the first half of 2019, the Company received in aggregate of 8 visits involving 28 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 the first half of 2019, the Company conducted face-to-face communications with over 330 investors and media reporters.

- Regularly dispatching information and materials on the operations and development of the Group. The Company prepared and issued a total of 2 issues of E-news and 6 result and progress presentation materials in the first half of 2019, 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 (http://www.sz-expressway.com).

- 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.

Employees, Remuneration and Training

As at 30 June 2019, among the 5,000 employees of the Group (including the Company and its subsidiaries consolidated into the financial statements), 1,217 are administrative and professional staff, and 3,783 are toll collection staff.

The remuneration and benefits of the staff include position salary, the performance bonus and the statutory and corporate benefits and are determined by the market value of the position and the comprehensive performance of staff. Pursuant to statutory requirements, the Group has participated in an employee retirement scheme (social pension insurance) and a housing provident fund plan organised by the local government authorities, and has adopted various protection plans such as medical insurance, work injury insurance and unemployment insurance for its employees. According to the relevant regulations, the Group is required to pay contributions equivalent to a certain percentage of the employee's aggregate salary (subject to the required maximum cap) to the labour and social security authorities management centre and housing provident fund management centre as social insurance contributions for items such as pension and medical insurance expenses as well as contributions for housing provident fund. For details of the remuneration and benefits for employees, please refer to note III\20 and note V\27 to the Financial Statements in this report.

During the Reporting Period, the Company organised 25 training sessions, with 245 person-times participation.

Review of Interim Results

The 2019 interim financial information and comparative figures for the same period of 2018 were prepared in accordance with CASBE, and also complied with the disclosure requirements under the Listing Rules of the HKEx. The Audit Committee of the Company has reviewed and confirmed the financial statements and interim report of the Group for the six months ended 30 June 2019. The relevant financial information has not been audited.

Name of Directors

As at the Reporting Date, the members of the Board include Mr. Hu Wei (Executive Director and Chairman of the Board), Mr. Liao Xiang Wen (Executive Director and President), Mr. Wen Liang (Executive Director), Ms. Chen Yan (Non-executive Director), Mr. Fan Zhi Yong (Non-executive Director), Mr. Chen Yuan Jun (Non-executive Director), Mr. Chen Kai (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 August 2019


万家灯火 南网情深

INTERIM 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

Consolidated Statement of Financial Position

As at 30 June 2019
(RMB)

Item	Notes	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Current assets			
Cash at banks and on hand	V.1	**4,696,542,572.16**	4,226,691,084.07
Transactional financial assets	V.2	**59,962,667.00**	45,103,194.00
Bills receivable		**495,000.00**	–
Accounts receivable	V.3	**313,778,392.77**	174,639,116.34
Prepayments	V.4	**233,020,370.90**	166,448,063.98
Other receivables	V.5	**401,918,676.22**	1,580,256,204.51
Inventories	V.6	**519,451,186.10**	588,939,198.83
Held-for-sale assets		**–**	296,640,634.06
Contract assets	V.7	**349,016,709.70**	166,842,230.65
Current portion of non-current assets	V.8	**22,548,751.19**	22,548,751.19
Other current assets	V.9	**57,783,765.74**	264,155,141.70
Total current assets		**6,654,518,091.78**	7,532,263,619.33
Non-current assets			
Long-term prepayments	V.10	**406,986,535.21**	367,160,992.89
Long-term receivables	V.11	**169,015,805.46**	160,973,492.73
Other non-current financial assets	V.12	**189,778,840.00**	180,438,820.00
Long-term equity investments	V.13	**8,057,206,755.17**	7,859,108,497.62
Investment properties	V.14	**12,086,912.40**	12,374,883.60
Fixed assets	V.15	**788,661,333.29**	840,078,401.28
Construction in progress	V.16	**18,186,887.61**	31,264,050.74
Right-of-use assets	V.17	**172,628,600.70**	–
Intangible assets	V.18	**23,680,661,290.18**	23,596,233,488.95
Good will	V.19	**156,039,775.24**	–
Long-term prepaid expenses		**28,129,151.75**	5,962,359.05
Deferred tax assets	V.20	**676,416,445.43**	172,392,222.04
Other non-current assets	V.21	**342,599,500.00**	342,599,500.00
Total non-current assets		**34,698,397,832.44**	33,568,586,708.90
Total assets		**41,352,915,924.22**	41,100,850,328.23

Item	Notes	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Current liabilities			
Short-term borrowings	V.23	**483,676,381.63**	117,424,819.20
Bills payable	V.24	**60,738,745.00**	–
Accounts payable	V.25	**792,790,244.11**	714,905,820.77
Contract liabilities	V.26	**717,022,387.31**	858,712,742.77
Employee benefits payable	V.27	**118,815,383.92**	221,882,422.16
Taxes payable	V.28	**247,463,096.06**	1,353,423,918.60
Other payables	V.29	**3,544,741,443.23**	2,396,828,896.75
Current portion of non-current liabilities	V.30	**280,078,296.41**	379,135,997.24
Deferred income	V.35	**2,661,266.67**	2,796,223.13
Total current liabilities		**6,247,987,244.34**	6,045,110,840.62
Non-current liabilities			
Long-term borrowings	V.31	**8,478,813,661.34**	8,892,735,993.43
Bonds payable	V.32	**4,641,115,751.68**	4,632,920,008.39
Lease liabilities	V.33	**148,980,745.85**	–
Provision	V.34	**8,169,509.08**	–
Deferred income	V.35	**421,053,402.61**	439,287,093.37
Deferred tax liabilities	V.20	**1,358,921,659.52**	1,422,673,617.86
Other non-current liabilities	V.36	**64,185,023.70**	128,370,047.21
Total non-current liabilities		**15,121,239,753.78**	15,515,986,760.26
Total liabilities		**21,369,226,998.12**	21,561,097,600.88
Owners' equity			
Share capital	V.37	**2,180,770,326.00**	2,180,770,326.00
Capital surplus	V.38	**6,219,027,525.31**	6,219,027,132.41
Other comprehensive income	V.39	**886,394,154.47**	881,375,987.20
Surplus reserve	V.40	**2,481,665,060.29**	2,481,665,060.29
Undistributed profits	V.41	**5,652,729,862.05**	5,624,252,437.38
Total equity attributable to owners of the Company		**17,420,586,928.12**	17,387,090,943.28
Minority interests		**2,563,101,997.98**	2,152,661,784.07
Total owners' equity		**19,983,688,926.10**	19,539,752,727.35
Total liabilities and owners' equity		**41,352,915,924.22**	41,100,850,328.23

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

Legal representative:
Hu Wei

Chief financial officer:
Zhao Guiping

Head of accounting department (Account officer): **Luo Chaoyun**

Company Statement of Financial Position

As at 30 June 2019
(RMB)

Item	Notes	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Current assets			
Cash at banks and on hand		**1,122,095,503.91**	1,222,994,093.07
Transactional financial assets		**59,962,667.00**	45,103,194.00
Accounts receivable	XIII.1	**20,564,667.49**	21,331,105.99
Prepayments		**13,927,533.91**	23,773,795.01
Other receivables	XIII.2	**686,842,960.84**	2,479,355,358.90
Inventories		**1,648,592.58**	1,843,919.52
Contract assets		**133,651,613.73**	118,201,711.53
Total current assets		**2,038,693,539.46**	3,912,603,178.02
Non-current assets			
Long-term prepayments		**49,575,064.50**	–
Long-term receivables		**3,391,314,457.29**	3,890,963,143.15
Long-term equity investments	XIII.3	**19,372,306,274.78**	14,667,348,245.71
Other non-current financial assets		**189,778,840.00**	180,438,820.00
Investment properties		**12,086,912.40**	12,374,883.60
Fixed assets		**134,454,701.15**	139,593,056.31
Construction in progress		**1,880,385.16**	877,667.43
Right-of-use assets		**37,482,915.34**	–
Intangible assets		**234,367,687.20**	254,160,514.28
Long-term prepaid expenses		**1,418,631.91**	973,111.15
Deferred tax assets		**61,182,748.38**	62,934,792.94
Total non-current assets		**23,485,848,618.11**	19,209,664,234.57
Total assets		**25,524,542,157.57**	23,122,267,412.59

Item	Notes	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Current liabilities			
Short-term borrowings		**2,000,000.00**	–
Accounts payable		**20,223,942.78**	20,223,942.78
Employee benefits payable		**54,357,422.37**	88,250,867.34
Taxes payable		**36,625,816.84**	986,619,918.16
Other payables		**2,670,188,707.82**	1,485,329,854.15
Current portion of non-current liabilities		**69,909,090.91**	44,454,545.45
Total current liabilities		**2,853,304,980.72**	2,624,879,127.88
Non-current liabilities			
Long-term borrowings		**4,104,477,049.36**	823,000,000.00
Bonds payable		**4,641,115,751.68**	4,632,920,008.39
Lease liabilities		**37,604,512.85**	–
Deferred income		**301,824,931.35**	312,144,931.35
Total non-current liabilities		**9,085,022,245.24**	5,768,064,939.74
Total liabilities		**11,938,327,225.96**	8,392,944,067.62
Owners' equity			
Share capital	V.37	**2,180,770,326.00**	2,180,770,326.00
Capital surplus		**3,279,942,664.85**	3,279,942,664.85
Other comprehensive income		**1,348,438.03**	1,946,181.99
Surplus reserve	V.40	**2,481,665,060.29**	2,481,665,060.29
Undistributed profits		**5,642,488,442.44**	6,784,999,111.84
Total owners' equity		**13,586,214,931.61**	14,729,323,344.97
Total liabilities and owners' equity		**25,524,542,157.57**	23,122,267,412.59

The attached notes are an integral part of these financial statements

Legal representative:
Hu Wei

Chief financial officer:
Zhao Guiping

Head of accounting department (Account officer): **Luo Chaoyun**

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019
(RMB)

Item	Notes	**For the six months Ended 30 June 2019 (Unaudited)**	For the six months Ended 30 June 2018 (Unaudited)
1. Total revenue		**2,699,192,701.81**	2,677,522,763.36
Including: Revenue from services	V.42	**2,699,192,701.81**	2,677,522,763.36
2. Total costs		**1,803,383,341.06**	1,856,882,290.85
Including: Cost of services	V.42	**1,408,693,537.14**	1,282,860,492.07
Taxes and surcharges	V.43	**28,647,962.23**	24,659,357.11
Selling expenses		**10,368,554.37**	6,617,908.13
General and administrative expenses	V.44	**83,385,396.40**	42,195,751.75
Research and development expenses	V.45	**2,982,489.52**	–
Financial expenses	V.46	**269,305,401.40**	500,548,781.79
Including: Interest expense		**286,848,691.39**	480,084,726.79
Interest revenue		**24,671,693.62**	30,274,766.47
Add: Other income	V.47	**173,081.95**	57,763.72
Investment income (losses are listed with "-")	V.48	**597,091,282.60**	288,612,136.13
Including: Share of profits of associates and joint ventures	V.13	**300,390,369.73**	285,283,369.01
Gain or loss from changes in fair value	V.49	**24,199,493.00**	10,165,724.90
Credit impairment loss		**-90,000.00**	-14,115.84
Gains or loss on disposal of assets (losses are listed with "-")	V.50	**900.70**	181,865,044.34
3. Operating profits (losses are listed with "-")		**1,517,184,119.00**	1,301,327,025.76
Add: Non-operating income	V.51	**2,096,092.08**	7,721,493.21
Less: Non-operating expenses	V.52	**1,760,537.35**	869,650.68
4. Total profit (losses are listed with "-")		**1,517,519,673.73**	1,308,178,868.29
Less: Income tax expenses	V.53	**-190,207,190.70**	267,747,826.08
5. Net profit (losses are listed with "-")		**1,707,726,864.43**	1,040,431,042.21
(1) Classified by business continuity			
Net profit from continuing operations (losses are listed with "-")		**1,707,726,864.43**	1,040,431,042.21
(2) Classified by ownership			
Net profit attributable to owners of the Company		**1,576,824,356.13**	968,653,293.65
Minority interests		**130,902,508.30**	71,777,748.56

Item	Notes	For the six months Ended 30 June 2019 (Unaudited)	For the six months Ended 30 June 2018 (Unaudited)
6. Other comprehensive income after tax		**5,018,167.27**	167,540.06
Items that may be reclassified subsequently to profit or loss		**5,018,167.27**	167,540.06
Including: Foreign exchange gain/loss		**353,178.55**	421,430.87
Share of other comprehensive income from investees accounted for the equity method to be reclassified to profit or loss in the subsequent year	V.39	**4,664,988.72**	-253,890.81
7. Total comprehensive income		**1,712,745,031.70**	1,040,598,582.27
Total comprehensive income attributable to owners of the company		**1,581,842,523.40**	968,820,833.71
Total comprehensive income attributable to minority interests		**130,902,508.30**	71,777,748.56
8. Earnings per share			
Basic earnings per share (RMB/share)	V.58(1)	**0.723**	0.444
Diluted earnings per share (RMB/share)	V.58(1)	**0.723**	0.444

The attached notes are an integral part of these financial statements

Legal representative: **Hu Wei**

Chief financial officer: **Zhao Guiping**

Head of accounting department (Account officer): **Luo Chaoyun**

Company Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019
(RMB)

Item	Notes	**For the six months ended 30 June 2019 (Unaudited)**	For the six months ended 30 June 2018 (Unaudited)
1. Total revenue	XIII.4	**417,004,906.77**	689,224,055.43
Less: Cost of services	XIII.4	**134,742,647.95**	238,906,368.80
Business tax and surcharges		**2,666,256.77**	4,258,160.90
General and administrative expenses		**55,540,093.09**	24,714,697.91
Financial expenses		**46,909,520.70**	197,955,826.61
Including: Interest expense		**116,514,109.26**	232,775,374.48
Interest revenue		**78,740,332.22**	72,596,919.96
Add: Gain or loss from changes in fair value (losses are listed with "-")		**24,199,493.00**	10,165,724.90
Investment income (losses are listed with "-")	XIII.5	**271,115,778.71**	217,431,283.42
Including: Share of profits of associates and joint ventures		**202,974,408.85**	12,803,438.05
Gains or loss on disposal of assets (losses are listed with "-")		**–**	-9,237.38
2. Operating profit (losses are listed with "-")		**472,461,659.97**	450,976,772.15
Add: Non-operating income		**93,146.28**	1,148,221.72
Less: Non-operating expenses		**330,462.91**	12,253.12
3. Total profit (total losses are listed with "-")		**472,224,343.34**	452,112,740.75
Less: Income tax expenses		**66,388,081.28**	57,225,711.19
4. Net profit (net losses are listed with "-")		**405,836,262.06**	394,887,029.56
Net profit from continuing operations (net losses are listed with "-")		**405,836,262.06**	394,887,029.56
5. Other comprehensive income		**-597,743.96**	356,339.79
Items that may be reclassified subsequently to profit or loss		**-597,743.96**	356,339.79
Including: Share of other comprehensive income from investees accounted for the equity method to be reclassified to profit or loss in the subsequent period	V.13(1)	**-597,743.96**	356,339.79
6. Total comprehensive income		**405,238,518.10**	395,243,369.35

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

Legal representative: **Hu Wei**

Chief financial officer: **Zhao Guiping**

Head of accounting department (Account officer): **Luo Chaoyun**

Consolidated Statement of Cash Flows

For the six months ended 30 June 2019
(RMB)

Item	Notes	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
1. Cash flows from operating activities:			
Cash received from rendering services and selling goods		**2,412,274,862.37**	2,843,254,966.38
Refund of taxes		**–**	3,313,281.58
Cash received relating to other operating activities	V.54(1)	**35,397,380.93**	18,671,852.17
Sub-total of cash inflows		**2,447,672,243.30**	2,865,240,100.13
Cash paid for goods and services		**439,043,650.08**	247,721,377.20
Cash paid to and on behalf of employees		**357,026,076.53**	333,725,831.24
Payments of taxes and surcharges		**679,823,650.15**	465,084,484.73
Cash paid relating to other operating activities	V.54(2)	**185,317,442.60**	223,562,421.10
Sub-total of cash outflows		**1,661,210,819.36**	1,270,094,114.27
Net cash flows from operating activities		**786,461,423.94**	1,595,145,985.86
2. Cash flows from investing activities			
Cash received from recovery of investments		**588,000,000.00**	–
Cash received from returns on investments		**189,715,582.93**	67,672,751.98
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		**932,689,464.97**	17,267,726.08
Net cash flows from disposal of subsidiaries and other business units	V.54(3)	**567,000,000.00**	–
Cash received relating to other investing activities	V.54(4)	**365,132,219.12**	328,777,400.65
Sub-total of cash inflows		**2,642,537,267.02**	413,717,878.71
Cash paid to acquire fixed assets, intangible assets and other long-term assets		**703,770,211.46**	389,711,153.62
Payments for investing activities		**57,500,000.00**	57,500,000.00
Net cash paid to acquire subsidiaries and other business units	V.54(5)	**207,631,327.78**	–
Cash paid relating to other investing activities	V.54(6)	**1,049,834,118.97**	300,230,652.81
Sub-total of cash outflows		**2,018,735,658.21**	747,441,806.43
Net cash flows from investing activities		**623,801,608.81**	-333,723,927.72

Consolidated Statement of Cash Flows

For the six months ended 30 June 2019
(RMB)

Item	Notes	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
3. Cash flows from financing activities			
Cash received from borrowings		**3,564,676,381.63**	2,234,577,190.60
Cash received relating to other financing activities	V.54(7)	**277,830,000.00**	–
Sub-total of cash inflows		**3,842,506,381.63**	2,234,577,190.60
Cash repayments of borrowings		**3,752,870,681.57**	2,393,539,724.93
Cash payments for interest expenses and distribution of dividends or profits		**1,310,099,702.34**	787,179,146.57
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		**50,000,000.00**	72,186,499.92
Cash payments relating to other financing activities	V.54(8)	**16,422,615.16**	30,607,835.81
Sub-total of cash outflows		**5,079,392,999.07**	3,211,326,707.31
Net cash flows from financing activities		**-1,236,886,617.44**	-976,749,516.71
4. Effect of foreign exchange rate changes on cash		**307,252.61**	-22,325,003.91
5. Net increase in cash	V.56(1).2	**173,683,667.92**	262,347,537.52
Add: Cash at beginning of period		**2,580,843,329.57**	1,884,570,222.49
6. Cash at end of period	V.56(1).2	**2,754,526,997.49**	2,146,917,760.01

The attached notes are an integral part of these financial statements

Legal representative: **Hu Wei**

Chief financial officer: **Zhao Guiping**

Head of accounting department (Account officer): **Luo Chaoyun**

Company Statement of Cash Flows

For the six months ended 30 June 2019
(RMB)

Item	Notes	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
1. Cash flows from operating activities			
Cash received from rendering services and selling goods		**343,016,286.51**	387,903,713.95
Cash received relating to other operating activities		**5,101,591,389.87**	540,795,117.63
Sub-total of cash inflows		**5,444,607,676.38**	928,698,831.58
Cash paid for goods and services		**37,739,795.56**	73,788,729.44
Cash paid to and on behalf of employees		**122,038,170.53**	115,573,228.06
Payments of taxes and surcharges		**97,043,482.15**	93,818,455.18
Cash paid relating to other operating activities		**1,546,407,474.84**	90,009,018.24
Sub-total of cash outflows		**1,803,228,923.08**	373,189,430.92
Net cash flows from operating activities		**3,641,378,753.30**	555,509,400.66
2. Cash flows from investing activities			
Cash received from recovery of investments		**598,972,000.55**	23,161,930.91
Cash received from returns on investments		**228,091,473.34**	122,093,184.79
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		**932,687,618.97**	3,000.00
Cash received relating to other investing activities		**1,028,641,274.22**	384,141,283.05
Sub-total of cash inflows		**2,788,392,367.08**	529,399,398.75
Cash paid to acquire fixed assets, intangible assets and other long-term assets		**51,467,940.54**	14,592,794.07
Payments for investing activities		**57,500,000.00**	57,500,000.00
Net cash paid to acquire subsidiaries and other business units		**4,620,200,000.00**	14,600,000.00
Cash paid relating to other investing activities		**1,029,834,118.97**	15,000,000.00
Sub-total of cash outflows		**5,759,002,059.51**	101,692,794.07
Net cash flows from investing activities		**-2,970,609,692.43**	427,706,604.68

Company Statement of Cash Flows

For the six months ended 30 June 2019
(RMB)

Item	Notes	**For the six months ended 30 June 2019 (Unaudited)**	For the six months ended 30 June 2018 (Unaudited)
3. Cash flows from financing activities			
Cash received from borrowings		**2,342,000,000.00**	870,000,000.00
Cash received relating to other financing activities		**277,830,000.00**	–
Sub-total of cash inflows		**2,619,830,000.00**	870,000,000.00
Cash repayments of borrowings		**2,311,364,765.57**	1,201,000,000.00
Cash payments for interest expenses and distribution of dividends or profits		**1,075,164,838.63**	511,248,647.07
Cash payments relating to other financing activities		**5,628,472.79**	8,274,013.69
Sub-total of cash outflows		**3,392,158,076.99**	1,720,522,660.76
Net cash flows from financing activities		**-772,328,076.99**	-850,522,660.76
4. Effect of foreign exchange rate changes on cash		**751.34**	-4,255.51
5. Net decrease/increase in cash		**-101,558,264.78**	132,689,089.07
Add: Cash at beginning of period		**1,192,441,921.64**	621,727,474.29
6. Cash at end of period		**1,090,883,656.86**	754,416,563.36

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

Legal representative:
Hu Wei

Chief financial officer:
Zhao Guiping

Head of accounting department
(Account officer): **Luo Chaoyun**

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019
(RMB)

Item	For the six months ended 30 June 2019 (Unaudited)							
	Attributable to owners of the Company							
	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profit	Sub total	Minority interests	Total owners' equity
1. Ending balance on 31 December 2018	2,180,770,326.00	6,219,027,132.41	881,375,987.20	2,481,665,060.29	5,624,252,437.38	17,387,090,943.28	2,152,661,784.07	19,539,752,727.35
2. Increases/decreases in the current period ("-" for decreases)	–	392.90	5,018,167.27	–	28,477,424.67	33,495,984.84	410,440,213.91	443,936,198.75
(1) Total comprehensive income	–	–	5,018,167.27	–	1,576,824,356.13	1,581,842,523.40	130,902,508.30	1,712,745,031.70
Net profit	–	–	–	–	1,576,824,356.13	1,576,824,356.13	130,902,508.30	1,707,726,864.43
Other comprehensive income	–	–	5,018,167.27	–	–	5,018,167.27	–	5,018,167.27
(2) Withdrawal or transfer of investment by shareholders	–	–	–	–	–	–	-10,541,726.02	-10,541,726.02
Withdrawal of investment by shareholders	–	–	–	–	–	–	-10,541,726.02	-10,541,726.02
(3) Profit distribution (Note V.41)	–	–	–	–	-1,548,346,931.46	-1,548,346,931.46	-50,000,000.00	-1,598,346,931.46
Profit distribution to equity owners	–	–	–	–	-1,548,346,931.46	-1,548,346,931.46	-50,000,000.00	-1,598,346,931.46
(4) Business combination not under the same control	–	–	–	–	–	–	340,079,431.63	340,079,431.63
(5) Others	–	392.90	–	–	–	392.90	–	392.90
3. Ending balance on 30 June 2019 (Unaudited)	2,180,770,326.00	6,219,027,525.31	886,394,154.47	2,481,665,060.29	5,652,729,862.05	17,420,586,928.12	2,563,101,997.98	19,983,688,926.10

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019
(RMB)

	For the six months ended 30 June 2018 (Unaudited)							
	Attributable to owners of the Company							
Item	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profit	Sub-total	Minority interests	Total owners' equity
1. 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
Add: Business combination under common control	–	3,128,000,000.00	–	–	-3,113,068,776.71	14,931,223.29	–	14,931,223.29
Sub-total	2,180,770,326.00	5,282,994,921.43	887,624,170.50	2,138,614,923.89	3,143,006,552.05	13,633,010,893.87	2,156,486,969.40	15,789,497,863.27
Add: Changes of accounting policy	–	–	–	–	38,476,512.20	38,476,512.20	-1,494,904.48	36,981,607.72
2. Beginning balance on 1 January 2018	2,180,770,326.00	5,282,994,921.43	887,624,170.50	2,138,614,923.89	3,181,483,064.25	13,671,487,406.07	2,154,992,064.92	15,826,479,470.99
3. Increases/decreases in the current period ("-" for decreases)	–	6,466,186.56	167,540.06	–	314,422,195.85	321,055,922.47	15,540,199.35	336,596,121.82
(1) Total comprehensive income	–	–	167,540.06	–	968,653,293.65	968,820,833.71	71,777,748.56	1,040,598,582.27
Net profit	–	–	–	–	968,653,293.65	968,653,293.65	71,777,748.56	1,040,431,042.21
Other comprehensive income	–	–	167,540.06	–	–	167,540.06	–	167,540.06
(2) Withdrawal or transfer of investment by shareholders	–	–	–	–	–	–	-22,253,619.89	-22,253,619.89
Withdrawal of investment by shareholders	–	–	–	–	–	–	-22,253,619.89	-22,253,619.89
(3) Profit distribution	–	–	–	–	-654,231,097.80	-654,231,097.80	-33,983,929.32	-688,215,027.12
Profit distribution to equity owners	–	–	–	–	-654,231,097.80	-654,231,097.80	-33,983,929.32	-688,215,027.12
(4) Others	–	6,466,186.56	–	–	–	6,466,186.56	–	6,466,186.56
4. Ending balance on 30 June 2018 (Unaudited)	2,180,770,326.00	5,289,461,107.99	887,791,710.56	2,138,614,923.89	3,495,905,260.10	13,992,543,328.54	2,170,532,264.27	16,163,075,592.81

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

Legal representative: **Hu Wei**

Chief financial officer: **Zhao Guiping**

Head of accounting department (Account officer): **Luo Chaoyun**

Company Statement of Changes in Equity

For the six months ended 30 June 2019
(RMB)

Item	For the six months ended 30 June 2019 (Unaudited)					
	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profit	Total owner's equity
1. Ending balance on 31 December 2018	**2,180,770,326.00**	**3,279,942,664.85**	**1,946,181.99**	**2,481,665,060.29**	**6,784,999,111.84**	**14,729,323,344.97**
2. Increases/decreases in the current period ("-" for decreases)	**–**	**–**	**-597,743.96**	**–**	**-1,142,510,669.40**	**-1,143,108,413.36**
(1) Total comprehensive income	**–**	**–**	**-597,743.96**	**–**	**405,836,262.06**	**405,238,518.10**
Net profit	**–**	**–**	**–**	**–**	**405,836,262.06**	**405,836,262.06**
Other comprehensive income	**–**	**–**	**-597,743.96**	**–**	**–**	**-597,743.96**
(2) Profit distribution (Note V.41)	**–**	**–**	**–**	**–**	**-1,548,346,931.46**	**-1,548,346,931.46**
Profit distribution to equity owners	**–**	**–**	**–**	**–**	**-1,548,346,931.46**	**-1,548,346,931.46**
3. Ending balance on 30 June 2019 (Unaudited)	**2,180,770,326.00**	**3,279,942,664.85**	**1,348,438.03**	**2,481,665,060.29**	**5,642,488,442.44**	**13,586,214,931.61**

Item	For the six months ended 30 June 2018 (Unaudited)					
	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profit	Total owner's equity
1. 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
Add: Changes of accounting policy	–	–	–	–	41,964,622.66	41,964,622.66
2. Beginning balance on 1 January 2018	2,180,770,326.00	2,329,774,011.94	-6,429,331.48	2,138,614,923.89	4,351,778,982.05	10,994,508,912.40
3. Increases/decreases in the current period ("-" for decreases)	–	23,354,712.23	356,339.79	–	-259,344,068.24	-235,633,016.22
(1) Total comprehensive income	–	–	356,339.79	–	394,887,029.56	395,243,369.35
Net profit	–	–	–	–	394,887,029.56	394,887,029.56
Other comprehensive income	–	–	356,339.79	–	–	356,339.79
(2) Profit distribution	–	–	–	–	-654,231,097.80	-654,231,097.80
Profit distribution to equity owners	–	–	–	–	-654,231,097.80	-654,231,097.80
(3) Business combination under common control	–	15,939,407.88	–	–	–	15,939,407.88
(4) Others	–	7,415,304.35	–	–	–	7,415,304.35
4. Ending balance on 30 June 2018 (Unaudited)	2,180,770,326.00	2,353,128,724.17	-6,072,991.69	2,138,614,923.89	4,092,434,913.81	10,758,875,896.18

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

Legal representative: **Hu Wei**

Chief financial officer: **Zhao Guiping**

Head of accounting department (Account officer): **Luo Chaoyun**

Notes to Financial Statements

For the six months ended 30 June 2019
(RMB)

I. GENERAL INFORMATION

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 its registered office is Fumin Toll Station, Fucheng Subdistrict, Longhua District, Shenzhen, the PRC. The office address 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. The 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.

These financial statements have been approved for issue by the Company's Board of Directors on 23 August 2019.

The consolidation scope of the financial statements is determined on the basis of control. The detailed information of changes in the scope of consolidation is included in Note VI.

II. THE BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with the requirements of the Accounting Standards for Business Enterprises ("ASBEs") issued by the Ministry of Finance.

The financial statements have been prepared presented and disclosed in accordance with the requirements of Accounting Standards for Enterprises No. 32 – Interim Financial Report, issued by the Ministry of Finance, and the Guidelines on the Content and Format of Corporate Disclosure of Publicly Issued Securities No. 3 – the Content and Format of the Semi-annual Report (revised in 2017), issued by the China Securities Regulatory Commission.

Except for the accounting policy changes disclosed in Note III.32, the accounting policies adopted in these financial statements are consistent with the accounting policies adopted by the Group in preparing the 2018 financial statements. This interim financial statement should be read in the conjunction with the Group's 2018 financial statements.

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

Except for certain financial instruments, the financial statements have been prepared using historical cost as the principle of measurement. A disposal group classified as held for sale is reported at the lower of the book value and the net amount of the fair value less the cost of the sale. 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 adopts specific accounting policies and makes accounting estimates according to the characteristics of its business operations. The focus of the accounting policies and accounting is the criteria for determining impairment of non-current assets (Note III.18), depreciation policy for fixed assets and amortization policy for 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.25), etc.

Key judgments and estimates applied for critical accounting policies by the Group are disclosed in Note III.31.

1. Statement of compliance with Accounting Standards for Business Enterprises

In compliance with the Chinese Accounting Standards, the financial statements truly and completely present the consolidated and the Company's financial position on 30 June 2019 and the operating results, cash flows, and other information for the six months ended 30 June 2019 of the Group and the Company.

2. Accounting period

The Company's fiscal year is from 1 January to 31 December. The accounting period started on 1 January 2019 and ended on 30 June 2019.

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 is generally being 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 the construction business is generally being 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.

Notes to Financial Statements

For the six months ended 30 June 2019
(RMB)

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

5. Business combinations

Business combinations are classified into business combinations involving entities under common control and business combinations not involving entities under common control.

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.

Business combinations not involving enterprises 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 acquiree(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 acquiree 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 acquiree 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 acquiree 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.

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

5. Business combinations (continued)

Business combinations not involving enterprises under common control (continued)

For a business combination realized by two or more transactions of exchange, the long-term equity investment held before the 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 the equity method from the long-term equity investment which is already held before the acquisition date, the same accounting treatment as that for the investee directly disposes of 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 investments are disposed of. For other equity instrument investments of the acquiree held before the purchase date, the equity instrument investment is transferred to retained earnings before the acquisition date.

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. 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 are consistent in the 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 charged against non-controlling interests.

For a subsidiary that is acquired in a business combination involving enterprises not under common control, the operating results and cash flows of the acquiree 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 the consolidated financial statements, the financial statements of the subsidiary are 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 operating 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 the consolidated financial statements, the relative items of the financial statements of the previous period are treated as if the merged party had been 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.

Notes to Financial Statements

For the six months ended 30 June 2019
(RMB)

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

6. Preparation of consolidated financial statements (continued)

In the case of 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 of 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 profit or loss of the period of losing control. In the case of disposing of the equity investment in the subsidiary 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 in profit or loss for 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 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 profit or loss for the period of losing control.

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 currencies.

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 end of the previous reporting period are recognized in profit or loss for the period, except that exchange differences that qualify for capitalization related to a specific-purpose borrowing denominated in foreign currency are capitalized as part of the cost of the qualifying asset during the capitalization 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 recognized in profit or loss or as other comprehensive income depending on the nature of the non-monetary items.

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

8. Foreign currency translation (continued)

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 profit or loss are translated at the average exchange rates during the transaction period. The exchange differences arising on translation of financial statements denominated in foreign currencies are recognized 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 is transferred to profit or loss. For partial disposals, the reclassification is determined in proportion to the disposal.

Cash flows arising from a transaction in foreign currency and the cash flows of a foreign subsidiary are 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.

9. Financial instruments

Financial instruments refer to contracts that form the financial assets of one company and form the financial liabilities or equity instruments of other companies.

The recognition and derecognition of financial instruments

The Group recognizes a financial asset or financial liability when it becomes a party to a financial instrument contract.

A financial asset (or part of a financial asset, or a portion of a group of similar financial assets) is derecognized and written off from its account and balance sheet, when the following conditions are met:

(1) The right to receive cash flows from financial assets expires;

(2) Transferring the right to receive cash flows from financial assets, or under the "hands-on agreement", the obligation to pay the full amount of cash flows to the third party in full; and (a) substantially transferring the ownership of the financial assets all risks and rewards, or (b) abandoning the control of the financial asset, although it does not substantially transfer or retain almost all of the risks and rewards of ownership of the financial asset.

If the responsibility for a financial liability has been fulfilled or revoked or has expired, the financial liability should be derecognized. If an existing financial liability is replaced by another financial liability of the same creditor on substantially virtually different terms, or if the terms of the existing liability are substantially modified, such replacement or modification is deemed to terminate the recognition of the original liability and to confirm the new disposal of liabilities, the difference is included in the current profit or loss.

The purchases and sales of financial assets in regular ways are recognized and derecognized on a trade date basis. The purchases and sales of financial assets in regular ways refers to the collection or delivery of financial assets within the time limit stipulated by regulations or common practices in accordance with the terms of the contract. The trading day is the date on which the Group commits to buy or sell the financial assets.

Notes to Financial Statements

For the six months ended 30 June 2019
(RMB)

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

9. Financial instruments (continued)

The classification and measurement of financial assets

The financial assets of the Group are classified upon the initial recognition based on the business model of the Group's financial asset management and the characteristics of the financial assets' contractual cash flows: financial assets measured at fair value through profit or loss or financial assets measured at amortized cost. Financial assets are measured at fair value on initial recognition. However, if the accounts receivable or receivable notes arising from selling goods and the provision of services do not include significant financing components or do not consider financing components not exceeding one year, the financial assets shall be initially measured at the transaction price.

For financial assets measured at fair value through profit or loss, the related transaction expense is directly recognized in profit or loss for the current period. The related transaction costs of other types of financial assets are included in their initial recognition amount.

Subsequent measurement of financial assets depends on their classification:

Debt instrument investments measured at amortized cost

Financial assets are classified as financial assets measured at amortized cost if the financial assets meet the following conditions: The Group's business model for managing the financial assets is to collect contractual cash flows; the contractual terms of the financial assets stipulate that cash generated on a specific date. The flow is only the payment of the principal and the interest based on the outstanding principal amount. The effective interest method is used to recognize interest revenue for such financial assets. The gains or losses arising from derecognition, modification or impairment are recognized in profit or loss. Such financial assets mainly include monetary funds, accounts receivable and notes receivable, other receivables, creditor's rights investments and long-term receivables, etc. The Group shall present the creditor's rights investments and long-term receivables that are due within one year as non-current assets that are due within one year as of the end of reporting period, and the creditor's rights investment that is due within one year as other current assets.

Financial assets measured at fair value through profit or loss

For financial assets classified as measured at fair value through profit or loss, fair value is used for subsequent measurement, and all changes in fair value are recognized in profit or loss for the current period. Such financial assets shall be presented as transactional financial assets, and shall be presented as other non-current financial assets which are due for more than one year and are expected to be held for more than one year since the end of reporting period.

Only when it is possible to eliminate or significantly reduce accounting mismatches, financial assets can only be designated as financial assets at fair value through profit or loss.

Once the Company initially designates a financial asset as a financial asset measured at fair value through profit or loss, it cannot be reclassified to other financial assets; other financial assets cannot be reclassified to financial assets measured at fair value through profit or loss after initial recognition.

Under the above conditions, such financial assets designated by the Group consist mainly of transactional financial assets (Note V.2) and other non-current financial assets (Note V.12).

Only if the Group changes its business model for managing financial assets, all affected financial assets can be reclassified.

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

9. Financial instruments (continued)

The classification and measurement of financial liabilities

The financial liabilities of the Group are classified as financial liabilities at fair value through profit or loss and other financial liabilities. For financial liabilities measured at fair value through profit or loss, the related transaction expense is directly recognized in profit or loss, while the related transaction expense of other financial liabilities is included in the initial recognition amount.

Subsequent measurement of financial liabilities depends on their classification:

Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss include financial liabilities (including derivatives that are financial liabilities) and financial liabilities designated as at fair value through profit or loss.

If one of the following conditions is met, it is a transactional financial liability: the purpose of undertaking the relevant financial liability is mainly to sell or repurchase in the near future; and it is a combination of identifiable financial instruments that are centrally managed and there is objective evidence that the Company has recently adopted short-term profit-making methods; it is a derivative instrument, except for derivatives that are designated as effective hedging instruments and derivatives that qualify for financial guarantee contracts. Transactional financial liabilities (including derivatives that are financial liabilities) are subsequently measured at fair value. Except for hedge accounting, all changes in fair value of transactional financial liabilities are recorded in the profits and losses of the current period.

If only one of the following conditions is satisfied, financial liabilities can be designated as financial liabilities at fair value through profit or loss at their initial measurement:

(1) Accounting mismatches can be eliminated or significantly reduced.

(2) A formal written document on risk management or investment strategy states that the portfolio of financial instruments is managed, evaluated and reported to key management personnel on a fair value basis.

(3) A hybrid instrument that includes one or more embedded derivatives, unless the embedded derivative does not significantly change the cash flow of the hybrid instrument, or the embedded derivative is clearly not to be split from the relevant hybrid tool.

(4) Includes a hybrid instrument with embedded derivatives that need to be split but cannot be separately measured at the time of acquisition or on subsequent end of reporting period.

For such financial liabilities, the subsequent measurement is based on fair value. Except for changes in fair value arising from changes in the Group's own credit risk, changes in fair value are recognized in profit or loss. The Group credits all changes in fair value (including the amount of changes in its own credit risk) to the profit or loss of the current period, unless the fair value changes caused by changes in the Group's own credit risk are included in other comprehensive income.

Once the Company initially designates a financial liability as a financial liability measured at fair value through profit or loss, it cannot be reclassified to other financial liabilities; other financial liabilities cannot be reclassified to financial liabilities measured at fair value through profit or loss after initial recognition.

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For the six months ended 30 June 2019
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III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (continued)

The classification and measurement of financial liabilities (continued)

Other financial liabilities

For such financial liabilities, the actual interest rate method is adopted and the subsequent measurement is carried out according to the amortized cost.

The impairment of financial instruments

On the basis of expected credit losses, the Group performs the impairment treatment on financial assets and contract assets measured at amortized cost and confirms the loss provision.

Credit loss refers to the difference between all contractual cash flows receivable from the contract and all cash flows expected to be received by the Group at the original effective interest rate, that is, the present value of all cash shortages. Among them, financial assets that have been credit-depleted by the Group or purchased by the Group shall be discounted according to the actual interest rate adjusted by the financial assets.

For receivables that do not contain significant financing components and contractual assets, the Group uses a simplified measurement method to measure loss provision based on the amount of expected credit losses equivalent to the entire duration of the life.

For receivables with significant financing components and contractual assets, the Group uses a simplified measurement method to measure loss provisions based on the amount of expected credit losses equivalent to the entire duration of the life.

In addition to the abovementioned financial assets other than the simplified measurement method, the Group assesses whether its credit risk has increased significantly since the initial recognition on end of reporting period. If the credit risk has not increased significantly since the initial recognition, it is the first stage. The Group measures the loss provision based on the amount of expected credit loss over the next 12 months, and interest revenue shall be calculated on the basis of the carrying balance and the actual interest rate; if the credit risk has increased significantly since the initial confirmation but no credit impairment has occurred, it is in the second stage. The Group shall measure the loss reserve according to the amount equivalent to the expected credit loss in the whole duration, and calculate the interest income according to the book balance and the actual interest rate. If credit impairment occurs after the initial recognition, it is in the third stage. The Group shall measure the loss reserve according to the amount equivalent to the expected credit loss in the whole duration, and calculate the interest income according to the amortized cost and the actual interest rate. For financial instruments with low credit risk at the end of reporting period, the Group assumes that their credit risk has not increased significantly since the initial recognition.

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

9. Financial instruments (continued)

The impairment of financial instruments (continued)

The Group assesses the expected credit losses of financial instruments by individual and group. The Group considers the credit risk characteristics of different customers and evaluates the expected credit losses of accounts receivable on the basis of the age combination. See the following table for details:

Bad debt provision for receivables that are subject to provision by group with similar credit risk characteristics

Group 1	Receivables from government and related parties excluding Group 3	Other appropriate methods
Group 2	Receivables from other third parties excluding Group 1 and Group 3	Aging analysis
Group 3	Receivables from wind power client	Aging analysis

The Group considers all reasonable and evidenced information relating to past events, current conditions and future economic forecasts when assessing expected credit losses.

When the Group no longer reasonably expects to be able to fully or partially recover the contractual cash flows of financial assets, the Group directly writes down the carrying amount of the financial assets.

The offsetting of financial instruments

If the following conditions are met at the same time, the financial assets and financial liabilities are presented in the statement of financial position offset with a net amount after offsetting: a statutory right to offset the confirmed amount, and the legal right is currently enforceable; plan to settle with net amount, or realize the financial assets and settle the financial liabilities simultaneously.

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.

The gain or loss arising from changes in the fair value of the derivative is recognized directly in profit or loss, except when it is related to hedge accounting.

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

10. Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

For non-current assets and disposal groups (other than financial assets and deferred tax assets) classified as held for sale, if the book value is higher than the net amount after the fair value minus the selling expenses, the book value is reduced to the net amount after the fair value minus the selling expenses. The amount of the write-down is recognized as the loss on disposal of assets and included in the current profit and loss. At the same time, provision for impairment of assets held for sale is made. Non-current assets held for sale or non-current assets in disposal groups are not depreciated or amortized.

11. Inventories

(1) Classification

Inventories include real estate properties for development, raw materials, goods in process, finished goods, toll tickets, low value consumables, and maintenance and repair parts 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. The costs of raw materials, goods in process, and finished goods comprise merchandise procurement costs, processing costs, and other costs.

(2) Costing of inventories

The costs of completed properties held for sale are calculated by the specific identification method, which comprise the land cost, construction cost and other cost. The costs of raw materials, goods in process, and finished goods are calculated by the first-in-first-out (FIFO) method. The costs of toll tickets, low value consumables, and maintenance and repair parts are calculated by the weighted average method or amortization method.

(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 profit or loss for 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 profit or loss for the current period.

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 (continued)

Net realizable 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. When recognize the provision for value decline of inventories, the raw materials are recognized based on the categories, and the finished goods are recognized based on the items. The provisions for declines in value of inventories are consolidated for the inventories that are related to a product line produced and sold in the same region having the same or similar end use or purpose and difficult to measure separately from other items.

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. A joint venture is a joint venture arrangement in which the Group is able to exercise joint control with other parties through a separate entity and is entitled to rights only to its net assets based on legal forms, contractual terms and other facts and circumstances. 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 a 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 which remain long-term after disposal are recognized in proportion, whereas investments converted to financial instruments after disposal are recognized in full.

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

12. Long-term equity investments (continued)

(1) Determination of investment costs (continued)

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

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

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

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 recognizes the investment income according to its share of net profit or loss of the investee. The Group discontinues to recognize 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 to recognize 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 in 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 unrealized profits or losses arising from the intra-group transactions amongst the Group and its investees are eliminated in proportion to the Group's equity interests in the investees, 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 unrealized loss is not eliminated.

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 (continued)

On disposal of a long-term equity investment, the difference between the proceeds actually received and the book value is recognized in profit or loss for the current period. For a long-term equity investment accounted for using the equity method, when the Group discontinues 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. 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 its 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 power over the investee to influence the investment return.

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

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.

(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).

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

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 recognized 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 amortized to their estimated net residual values over their estimated useful lives. The estimated useful life, the estimated residual value rate and the annual amortization 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 amortization method applied are reviewed and adjusted at each year-end.

An investment property is derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sales, transfer, retirement or damage of an investment property after its carrying amount and related taxes and expenses is recognized 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).

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 recognized 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 recognized according to the valuation results performed by the valuer which were certified by the State-owned Assets Supervision and Administration Bureau in accordance with Guo Zi Ping (1996) No. 911.

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

14. Fixed assets (continued)

(1) Recognition and initial measurement of fixed assets (continued)

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 derecognized. All the other subsequent expenditures are recognized 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 impaired, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

Type	Depreciation method	Estimated useful life	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	4–6 years	5%	15.83%–24.00%
Office and other equipment	Straight-line	3–10 years	0%–5%	9.50%–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.

Notes to Financial Statements

For the six months ended 30 June 2019
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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 the 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.

17. Intangible assets

Intangible assets include concession intangible assets, billboard use right and software. 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 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 the project completion audit is finalized.

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

17. Intangible assets (continued)

(1) Concession intangible assets (continued)

The concession intangible assets and 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 the SASAB on 30 June 1996. The land-use right relating to Meiguan Expressway owned by Shenzhen Meiguan Expressway Company Limited ("Meiguan Company"), a 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.

The Company has set policies 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 differences between actual traffic volume and projected traffic volume exist 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.

The respective operating periods and amortization units of the toll roads are set out as follows:

Item	Operating period	The unit usage (RMB)
Meiguan Expressway	May 1995 to March 2027	0.53 (Note 1)
Shenzhen Airport-Heao Expressway (Western Section)	May 1999 to March 2027	0.59 (Note 1)
Shenzhen Airport-Heao Expressway (Eastern Section)	May 1997 to March 2027	2.95 (Note 1)
Wuhuang Expressway	September 1997 to September 2022	5.82
Qinglian Expressway	July 2009 to July 2034	30.03
Shuiguan Expressway	March 2002 to February 2027	5.86
Yichang Expressway	January 2004 to December 2033	9.53
Changsha Ring Road (North-western Section) ("Changsha Ring Road")	November 1999 to October 2029	1.71
Coastal Expressway	December 2013 to December 2038	6.31

Note 1: As is stated in Note III.32(a), the Company appointed an independent professional traffic consultant to reassess the traffic volume of Meiguan Expressway, Shenzhen Airport-Heao Expressway (Western Section), and Shenzhen Airport-Heao Expressway (Eastern Section) in the future operating period in June 2019. The unit usages of concession intangible assets of Meiguan Expressway, Shenzhen Airport-Heao Expressway (Western Section), and Shenzhen Airport-Heao Expressway (Eastern Section) have been adjusted from RMB0.84, RMB0.78, and RMB3.49 to RMB0.53, RMB0.59, and RMB2.95 separately from 1 April 2019.

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

17. Intangible assets (continued)

(1) Concession intangible assets (continued)

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

(2) Other intangible assets

The useful lives of other intangible assets are set out as follows:

	Useful life (year)
Billboard use rights	5
non-patent technology	10
Software and others	2–10

Intangible assets with finite useful lives are amortized over their estimated useful lives using the straight-line method.

(3) Periodical review of useful life and amortization method

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

(4) Impairment of intangible assets

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

Internal research and development expenditures are classified as research expenditures and development expenditures. Research expenditure is recognized in profit and losses, when occurred.

Development expenditure can only be capitalized if the following conditions are all met, namely: It is technically feasible to complete the intangible asset that can be used or sold; It is intending to use or sell the completed intangible asset; The intangible asset produced can generate economic benefits, including the ability to prove that the product, produced by the intangible asset, or the intangible asset itself exists in the market, or that the intangible asset is useful for the internal use; the Group has sufficient technologies, financial resources, and other resources to support and complete the development, and has ability to use or sell the intangible asset once it is made; and the development expenditure can be properly measured. If the development expenditure cannot meet the condition listed above, the development expenditure will be recognized in profit and losses when occurred.

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, associates and right-of-use assets 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.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated on a reasonable basis to each of the Group's cash-generating units or to relevant groups of cash-generating units if it is difficult to do so. Each unit or group of units to which the goodwill is so allocated represents those which are expected to benefit from the synergies of the combination and is not larger than a reported segment by the Group.

In testing an asset group or a set of asset groups to which goodwill has been allocated for impairment, if there is evidence of impairment in relation to goodwill, the Group shall first test the asset group or the set of asset groups excluding the amount of goodwill allocated for impairment. It shall determine and compare the recoverable amount with the related carrying amount and recognise any impairment loss. After that, the Group shall test the asset group or set of asset groups including the goodwill for impairment. The carrying amount is compared to its recoverable amount. If the recoverable amount of the asset group or set of asset groups is lower than its carrying amount, an impairment loss on goodwill shall be recognised. Firstly, the impairment loss shall be allocated to reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups. Then, the impairment loss shall be allocated to the other assets of the asset group or set of asset groups (excluding goodwill) on the basis of the proportion of the carrying amount of each asset in the asset group or set of asset groups.

Once an impairment loss of the abovementioned asset is recognised, it shall not be reversed in any subsequent period.

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 at the end of the reporting period.

Notes to Financial Statements

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

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.

(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. 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 pays the basic pension issuance expenses monthly to designated insurance companies for its employees. The basic amounts and rates are determined by the local regulations. Upon 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 annuity 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. Except for the above-mentioned, the Company did not have any other significant social insurance commitments 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 at 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 on which the costs and expenses in relation to the payment of compensation to the termination of employment relationship are recognized.

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

21. Provisions

Except for contingent consideration and contingent liabilities arising from business combinations not involving enterprises under common control, contingent liabilities are recognized as provision when the Group has an obligation related to a contingency where all of the following conditions are met:

(1) It is a present obligation related to a contingency;

(2) it is probable that an outflow of economic benefits will be required to settle the obligation; and

(3) the amount of the obligation can be measured reliably.

The amount initially recognized as a contingent liability is the best estimate of the consideration required to settle the present obligation, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. The carrying amount of a contingent liability is reviewed at the end of reporting period. Where there is objective evidence that the carrying amount does not reflect the best estimation of the contingency, the contingent liability would be adjusted according to the best estimated amount.

22. Revenue recognition

The Group has fulfilled its performance obligations of the contract that the revenue is recognized when the customers take control of the relevant goods or services. Taking control of the relevant goods or services means being able to dominate the use of the goods or the provision of the services and obtain almost all of the economic benefits from them.

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

(2) Service contracts between the Group and its customers usually include the obligation to perform construction management services and the wind farm operational maintenance services. As the services provided by the Group in the course of performance are irreplaceable and the Group has the right to calculate the revenue accumulated to date for the performance of the Contract during the whole contract period, the Group shall treat the services provided by the Group as the obligation to perform within a certain period of time and recognize revenue according to the progress of performance except for cases when the progress of performance cannot be reasonably determined. The Group determines the progress of service delivery according to the input method. If the cost incurred by the Group is expected to be compensated when the progress of performance cannot be reasonably determined, revenue shall be recognized according to the amount of cost incurred until the progress of performance can be reasonably determined. 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.

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

22. Revenue recognition (continued)

(3) For the Group's property sales revenue, after the completion and acceptance of the property, the Group and the client signed a sales contract, 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 does not have a proper reason to reject it, the related revenue is recognized after the time limit of the information is over. The Group's property sales contracts with customers generally include a performance obligation. In addition, the Group believes that the income from the sale of the property should be recognized when the asset control is transferred to the customer (usually after the delivery) based on the terms of the existing sales contract. The application of the new income standard has no effect on the timing of revenue recognition.

According to the new income standard, if the payment period of the customer is different from the period during which the promised goods or services are transferred according to the contract, the transaction price and the income from the sales need to be adjusted for the impact of the financing component (if significant). Considering the time difference between the customer's payment and the delivery of the property to the customer as well as the current market interest rate, the Group believes that the amount of the financing component is significant and the sales price must be discounted to calculate the significant financing component. The Group recognizes contractual liabilities for advances from customers that include significant financing components. For the expectation that the intervals between the customer's control over the acquisition of the goods and the payment of the customer's payment did not exceed one year, the Group did not consider the significant financing components existing in the contract. In addition, the outstanding balance of customer advances has been reclassified from advance receipts to contractual liabilities.

(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 service revenue if the Group subcontracts the work to other parties and does not undertake the construction work on its own.

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

(7) 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.

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

(9) Variable consideration is formed in certain contracts, which contains of sales rebates, non-compliance arrangements, discounts, liquidated damages, assessment fines, and incentives, between the Group and its customers. The Group determines the best estimate amount of the variable consideration based on the expected value or the most likely amount, but the transaction price including the variable consideration does not exceed the amount that the accumulated revenue is likely not to be significantly reversed when the relevant uncertainty is eliminated.

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

22. Revenue recognition (continued)

(10) For construction management service projects, the Group is responsible for the construction and implementation of the entire project as the general contractor. For the construction unit, survey and design, consulting, etc., the Group is responsible for bidding and signing contracts with the third-party units and the government shall pay the total price of the project investment to the Group in accordance with the payment method agreed in the agency construction. The Group takes control over the projects under construction before transferring the goods to the owners, leads the third party to provide services to the owners, and bears the primary responsibility for transferring the construction to the owners. Therefore, the Group is the main responsible person and recognizes the revenue according to the total consideration received or receivable. Otherwise, the Group is an agent and recognizes the revenue according to the amount of the commission or handling fee expected to receive. The amount shall be netted according to the total amount received or receivable, after deducting the price payable to other related parties, or the established commission amount or proportion determined.

(11) The contracts for the sale of goods between the Group and the customer usually contain only the performance obligations for the transfer of the complete machine, components, and accessories of wind turbine generators. The Group generally recognizes revenue at the point of transfer of control of the goods on the basis of a combination of the following factors: the current right to collect the goods, the transfer of major risks and benefits in the ownership of the goods, and the transfer of the legal ownership of the goods, the transfer of physical assets of the goods and that the customers have accepted the goods.

(12) For sales with a sales return clause, when customer received the ownership from the goods transportation, the Group recognizes revenue based on the amount of consideration expected to be received due to the goods transportation with the customer, and recognizes the liability based on the amount expected to be refunded due to the return. Meanwhile, the cost of the sales equals to the book value at the time of transfer of the transferred good after deducting the net cost of the asset, which equals to the expected recognized book value of the returned goods at the time of transfer after deducting estimated cost of recovering the goods (including the impairment of the returned goods' value). On each balance sheet date, the Group re-estimates the future sales return and re-measures the assets described above and the liabilities.

(13) According to the contractual agreement, legal provisions and so on, the Group provides quality assurance for the goods sold. For the quality assurances of guarantees, which ensure the established standard of the product, and the quality assurances of services, which provide separate services form the product, the Group treats both of them as a single performance obligation. For this performance obligation, the Group allocates part of the transaction price to the quality assurance of the service category with the relative ratio of the individual selling prices of the product to that of the provided quality assurance, and the revenue of this performance obligation is recognized when the customers obtain the control of the service. In assessing whether the quality assurance provides a separate service in ensuring that the goods sold meet the established standards, the Group considers the statutory requirement of the assurances, the term of the assurance, the nature of the Group's commitment of performance, and so on.

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

22. Revenue recognition (continued)

(14) The construction contract between the Group and the customer usually includes the performance obligation of the construction project. As the customer can control the goods under construction during the performance of the Group, the Group regards it as a performance obligation performed within a certain period of time and recognizes the income according to the progress of the performance, excepting that the progress of the performance cannot be reasonably determined. The Group determines the progress of the performance of the services provided in accordance with the input method. If the performance of the Group is expected to be compensated if the performance of the performance cannot be reasonably determined, the revenue will be recognized according to the amount of costs incurred, until the performance of the performance can be reasonably determined.

(15) When the contract for the construction contract between the Group and the customer changes:

a) If the contract change adds a clearly distinguishable construction service and contract price and the new contract price reflects the separate selling price of the new construction service, the Group treats the contract change as a separate contract for accounting treatment;

b) If the contract change does not fall within the above-mentioned situation (1), and the construction service transferred and that untransferred can be clearly distinguished on the contract change date, the Group will regard it as the original contract termination, and at the same time, the non-compliance part of the contract and the contract change part are merged into a new contract for accounting treatment;

c) If the contract change does not fall within the above-mentioned situation (1), and there is no clear distinction between the construction service transferred and that untransferred on the contract change date, the Group will treat the changed part of the contract as part of the original contract. The resulting impact on the recognized revenue is adjusted for current income on the contract change date.

23. Contract asset and liability (Applicable from 1 January 2019)

Contracts with customers will be presented in the Group's statement of financial position as a contract liability or a contract asset, depending on the relationship between the Group's performance and the customer's payment.

Contract asset

A contract asset is recognized when the Group's right to consideration is conditional on something other than the passage of time, for example future performance of the Group. A receivable is recognized when the Group's right to consideration is unconditional except for the passage of time.

The Group's methods for determining and accounting for expected credit losses, which are related to contract assets, are detailed in Note III.9.

Contract liability

A contract liability is presented in the statement of financial position where a customer has paid an amount of consideration prior to the Group performing by transferring the related good or service to the customer.

The Group offsets the contract assets and contract liabilities under the same contract and presents them on the statement of financial position as a net amount.

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

24. 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 others should be recognized as income-related government grants.

Total amount method is applied for the Group's 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 are 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.

25. Income tax

The income tax expenses include current income tax and deferred tax. Current and deferred tax expenses or income are recognized in profit or loss for the period, except when they arise from transactions or events that are directly recognized in owners' equity, in which case they are recognized 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 recognized as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognized using the balance sheet liability method.

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

25. Income tax (continued)

Deferred tax liabilities are recognized 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 arrangements, 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.

For deductible temporary differences, deductible losses and tax credits that can be carried forward, deferred tax assets are recognized 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 utilized, 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;

(2) In respect of deductible temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, deferred tax assets are only recognized 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 utilized.

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 takes 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 utilized. At the end of the reporting period, the carrying amount of deferred tax assets is reviewed and recognized to the extent that it is probable that available taxable profits in the future will allow the benefit of deferred tax assets to be utilized.

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 has 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 is 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.

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

26A. Right of use assets (Applicable from 1 January 2019)

Right of use assets comprise buildings, billboards.

On the commencement date of the lease term, the Group recognises its right to use the leased asset over the lease term as the right-of-use asset, including: (1) the initial measurement amount of the lease liability; (2) the payment on or before the commencement date of the lease term The amount of the lease payment, if there is a lease incentive, deducting the relevant amount of the lease incentives already enjoyed; (3) the initial direct expenses incurred by the lessee; (4) the lessee is to dismantle and remove the leased assets, restore the leased assets at the site or lease the assets Recovering to the cost of the lease terms agreed to be expected to occur. The Group's subsequent years of averaging method is used to depreciate the right-of-use assets. If it is reasonable to determine the ownership of the leased asset at the expiration of the lease term, the Group will depreciate the remaining useful life of the leased asset. If it is not reasonable to determine that the leasehold asset can be acquired at the expiration of the lease term, the Group depreciates during the shorter period between the lease term and the remaining useful life of the leased asset.

When the Group re-measures the lease liability based on the present value of the changed lease payments and adjusts the book value of the right-of-use asset accordingly. If the book value of the right-of-use asset has been reduced to zero, the lease liability still needs to be further reduced. The Group accounts for the remaining amount in the current profit or loss.

26B. Lease liabilities (Applicable from 1 January 2019)

On the commencement date of the lease term, the Group recognizes the present value of the lease payments that have not been paid as lease liabilities, except for short-term leases and low-value asset leases. In calculating the present value of the lease payments, the Group uses the leased interest rate as the discount rate; if the interest rate of the lease cannot be determined, the lessee's incremental borrowing rate is used as the discount rate. The Group calculates the interest expense of the lease liability for each period of the lease term based on the fixed periodic interest rate and recognises it in profit or loss for the current period. The variable lease payments that are not included in the measurement of the lease liabilities are recognised in profit or loss when incurred.

After the commencement date of the lease period, when the actual fixed payment amount changes, the expected amount of the guarantee residual value changes, or the index or ratio used to determine the lease payment amount changes, the purchase option, the renewal option or the termination option is evaluated. When the results or actual exercise rights change, the Group re-measures the lease liability based on the present value of the changed lease payments.

26C. Leases (Applicable from 1 January 2019)

On the contract start date, the Group assesses whether the contract is a lease or includes a lease. If one of the parties transfers the right to control the use of one or more identified assets for a certain period of time in exchange for consideration, the contract is leased or included. lease. In order to determine whether the contract has transferred the right to control the use of the identified assets within a certain period of time, the Group assesses whether the customers in the contract are entitled to almost all of the economic benefits arising from the use of the identified assets during the period of use and have the right to leading the use of identified assets during this period of use.

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

26C. Leases (Applicable from 1 January 2019) (continued)

Identification of separate leases

Where the contract contains multiple separate leases, the Group will split the contract and separate the leases for accounting treatment. The right to use the identified asset constitutes a separate lease in the contract if the following conditions are met:

(1) The lessee can profit from using the asset alone or in conjunction with other resources that are readily available; and

(2) The asset does not have a high degree of dependency or a high degree of association with other assets in the contract.

Assessment of leasing period

The lease term is the period during which the Group has the right to use the leased asset and is irrevocable. The Group has the option to renew the lease, that is, it has the right to choose to renew the lease, and it is reasonable to determine that the option will be exercised. The lease term also includes the period covered by the option to renew the lease. The Group has the option to terminate the lease, that is, it has the right to choose to terminate the lease of the asset, but it is reasonable to determine that the option will not be exercised. The lease term includes the period covered by the termination of the lease option. In the event of a major event or change within the Group's controllable range, and affecting whether the Group reasonably determines that the option will be exercised, the Group determines whether it will reasonably exercise the option to renew the lease, purchase option or terminate the lease option.

As a lessee

For the general accounting treatment of the Group as a lessee, refer to Note III.26A and Note III.26B.

Lease changes

The lease change including change of lease scope, lease consideration, and lease term change outside the original contract terms, including the increase or termination of the use rights of one or more leased assets, and the extension or shortening of the lease period stipulated in the contract.

If the lease changes and meets the following conditions, the Group will account for the lease change as a separate lease:

(1) The lease change expands the lease by increasing the right to use one or more leased assets; and

(2) The increased consideration and the individual price of the enlarged portion of the lease are equivalent to the amount adjusted for the contract.

If the lease change is not accounted for as a separate lease, the Group re-determines the lease term on the effective date of the lease change and discounts the changed lease payments using the revised discount rate to re-measure the lease liability. When calculating the present value of the lease payment after the change, the Group adopts the lease interest rate of the remaining lease period as the discount rate; if the lease interest rate of the remaining lease period cannot be determined, the Group's incremental increase will be made on the effective date of the lease change.

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

26C. Leases (Applicable from 1 January 2019) (continued)

As a lessee (continued)

Lease changes (continued)

Regarding the impact of the above adjustment of lease liabilities, the Group distinguishes between the following cases for accounting treatment:

(1) If the lease change results in a narrower lease or a shorter lease term, the Group reduces the book value of the right-of-use asset to reflect the termination or complete termination of the lease. The Group recognizes the related gains or losses that partially terminate or completely terminate the leases into the current profits and losses.

(2) For other lease changes, the Group adjusts the book value of the right-of-use assets accordingly.

Short-term lease and Low value asset leasing

The Group will be on the commencement date of the lease term, the lease term is not more than 12 months, and the lease that does not include the purchase option is recognized as a short-term lease; the lease with a value of not more than RMB50,000.00 when the single leased asset is a new asset is recognized as a low value. If the Group subleases or expects to sublease the leased assets, the original lease is not recognized as a low-value asset lease. The Group does not recognize the right-of-use assets and lease liabilities for short-term leases and low-value asset leases. During the period of the lease term, the related asset cost or current profit and loss is included in the straight-line method.

As a lessor

Leases that transfer substantially all of the risks and rewards associated with the ownership of the leased asset on the lease start date are finance leases, and all other leases are operating leases.

As an operating lease lessor

Rental income from operating leases is recognized on a straight-line basis over the lease term in profit or loss and contingent rentals are recognised in profit or loss when incurred.

27. Leases (Applicable in 2018)

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.

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 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 arise.

28. Dividend distribution

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

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

29. 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.

30. 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)

31. Significant accounting judgments and estimates

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 at the end of reporting period. 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.

Judgment

During the application of the Group's accounting policies, management made the following judgments that had a significant impact on the confirmed amounts in the financial statements:

(1) The business model

The classification of financial assets at initial recognition depends on the business model of the Group's management of financial assets. When determining whether the business model is still likely to be based on the collection of contractual cash flows, the Group needs to analyze the sale of financial assets before the maturity date. It also requires judgment whether the sale is accidental or whether the value of the sale is low.

(2) The contractual cash flow characteristics

The classification of financial assets at initial recognition depends on the contractual cash flow characteristics of the financial assets. When it is necessary to judge whether the contractual cash flow is only the payment of the principal and the interest based on the outstanding principal, the correction of the time value of the currency is included. In the assessment, it is necessary to judge whether there is a significant difference compared with the benchmark cash flow, and for the financial assets including the prepayment characteristics, it is necessary to judge whether the fair value of the early repayment characteristics is very small.

(3) Principal responsible person/agent

As for the Group's ability to lead a third party to provide services on behalf of the Group to its customers, the Group has the right to decide the price of the commodities traded independently, that is, the Group can control the project before transferring the agent project to the customer. Therefore, the Group is the main responsible person, recognizing the revenue according to the total consideration received or receivable. Otherwise, the Group as an agent shall recognize income in accordance with the amount of commission or Commission expected to be entitled to collect. The amount shall be determined by deducting the net amount payable to other interested parties from the total amount of consideration received or receivable, or by the established amount or proportion of commission.

(4) Depreciation and amortization

After considering the residual value of fixed assets and intangible assets, the Group depreciate and amortizes the useful lives of them with the straight-line methods. The Group reviews the useful life periodically to determine the amount of depreciation and amortization expenses included in each reporting period. The useful life is determined based on the Group's experience with similar assets and on the anticipation of technical updates. If there is a significant change in previous estimation, the depreciation and amortization shall be adjusted in the future periods.

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

31. Significant accounting judgments and estimates (continued)

Judgment (continued)

(5) *Method for determining the progress of construction contract performance*

The Group determines the performance of the performance of the construction contract in accordance with the input method. Specifically, the Group determines the performance of the contract based on the cumulative actual construction cost to the estimated total cost. The accumulated actual costs include the Group's transfer of goods to customers. Direct and indirect costs incurred. The Group believes that the construction contract price with the customer is determined on the basis of the construction cost, and the actual construction cost as a percentage of the estimated total cost can accurately reflect the progress of the construction service. The Group determines the performance of the contract based on the cumulative actual construction cost as a percentage of the estimated total cost, and recognizes the revenue accordingly. In view of the long duration of construction contracts, which may span several accounting periods, the Group will review and revise the budget as the construction contract progresses, and adjust the revenue recognition amount accordingly.

(6) *Leasing period- Lease contract with renewal option*

The lease term is the period during which the Group has the right to use the leased asset and is irrevocable. If there is an option to renew the lease and it is reasonably determined that the option will be exercised, the lease term also includes the period covered by the option to renew the lease. Some of the Group's lease contracts have the option to renew the lease for 1–3 years. In assessing whether it is reasonable to determine whether the option to renew the lease will be exercised, it will consider all relevant facts and circumstances that bring economic benefits to the exercise of the option of renewal of the Group, including the facts from the commencement date of the lease term to the date of exercise of the option and expected changes in the situation. The Group believes that due to the conditions relating to the exercise of the option and the possibility of meeting the relevant conditions, the Group can reasonably determine that the option to renew the lease will be exercised. Therefore, the lease period includes the period covered by the option of renewal.

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 recognizes 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 recognized 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.

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

31. Significant accounting judgments and estimates (continued)

Estimation uncertainty (continued)

(2) *Amortization of concession intangible assets*

As stated at Note III.17(1), amortization of concession intangible assets is provided under the traffic volume amortization method. Appropriate adjustments to the amortization of concession intangible assets will be made when there 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 years 2014, 2015, 2016, 2017, 2018 and 2019 and perform independent traffic volume studies respectively on Meiguan Expressway, Shenzhen Airport-Heao Expressway – Western Section, and Shenzhen Airport-Heao Expressway – Eastern Section in year 2019, and then prospectively adjusted the amortization unit according to the revised total projected traffic volume.

(3) *Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the present value of the future cash flows expected to be derived from the asset groups (sets of asset groups) to which the goodwill is allocated. Estimating the present value requires the Group to make an estimate of the expected future cash flows from the asset groups (sets of asset groups) and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(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 uncertain. 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 involves 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 the 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 exceeds its recoverable amount, which is the higher 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)

31. Significant accounting judgments and estimates (continued)

Estimation uncertainty (continued)

(6) Estimate of contingent consideration arising from the acquisition

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 directly and indirectly held an aggregate of a 50% equity interest in Qinglong Company and obtained 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; and 2) 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 from the date of signing the share transfer agreement to 31 December 2016, or the extension period of the concession granted under the approval being shorter than five years. Based on the 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, as 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. As the expectation that the negotiations between the Shenzhen Government and Qinglong Company on the adjustment of fees and charges were not completed before 31 December 2018. They signed a Supplemental Agreement on 30 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 2020 with the comparable price calculated based on the arrangement and the purchase price from the share transfer agreement lower than the preliminary consideration; 2) 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 on or before 31 December 2020, and 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 2020 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 accordingly, the purchase price of the 10% equity remained at RMB266 million.

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

31. Significant accounting judgments and estimates (continued)

Estimation uncertainty (continued)

(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 calculates the future cash flows of the toll roads and determines the recoverable amount. The key assumptions of this calculation include the estimated growth rate of the traffic volume, the standards of toll road charge, operating period, maintenance cost and the required return rate. Under the previous assumptions, the Group's management considered that a concession intangible asset had a recoverable amount higher than the book value, and therefore provision for the impairment of a concession intangible asset was 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.

(8) *Impairment of financial instruments*

The Group uses the expected credit loss model to assess the impairment of financial instruments. The application of the expected credit loss model requires significant judgments and estimations, and all reasonable and evidenced information, including forward-looking information, should be considered. In making such judgments and estimations, the Group infers the expected changes in the debtor's credit risk based on the historical repayment data in combination with economic policies, macroeconomic indicators, and industry risks.

During this period, the Group assessed that there is no significant impact about expected credit loss on the amounts or disclosures shown in the consolidated financial statements.

(9) *Fair value of unlisted equity investments*

Fair value of non-listed equity investment at fair value through profit or loss is estimated using the market-based method. The assumptions on which it is based are unobservable input. The estimation requires the management to determine comparable public companies (peers) based on industry, scale, gearing and strategy and compute appropriate price multiples in respect of each identified comparable company, such as enterprise value to EBITDA ("EV/EBITDA"), price to book ("P/B") or price to earnings ("P/E"), etc. Such multiples are measured and arrived at based on the relevant data of the comparable companies and discounted by a percentage for the lack of liquidity. The discounted multiple shall be used for the measurement of the profit or asset of the non-listed equity investment to arrive at its fair value. The management believes that the estimated fair value (as recorded in the balance sheet) and changes in fair value (as recorded in profit or loss and other comprehensive income) arrived at using the aforesaid valuation method were reasonable and represented the most appropriate value as the end of the reporting period.

(10) *Quality assurance*

The Group will make a reasonable estimate of warranty rate for the contract combination with similar characteristics based on historical warranty data, current warranty conditions, market changes, and other relevant information. The Group re-evaluates the warranty rate at least on every balance sheet date and determines the estimated liability based on the re-evaluated warranty rate.

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

32. Changes in accounting policies and accounting estimates

Changes in accounting policies

The New Lease Standard

In 2018, the Ministry of Finance promulgated the revised "Accounting Standards for Business Enterprises No. 21 – Leases" (referred to as "new lease standards"). The new lease standard adopts a single model like the current accounting treatment of financial leases, requiring the lessee to recognize depreciations and interest expenses for all leases other than leases and low-value asset leases. The Group began accounting treatment according to the newly revised leasing standard on January 1, 2019. For the contract that existed before the first implementation date, the Group chose not to re-evaluate whether it is a lease or including a lease, and according to the connection rules, the comparable period information No adjustments, the first implementation of the difference between the new lease standard and the current lease criteria retrospective adjustment of retained earnings in early 2019:

(1) For operating leases prior to the first execution date, the Group measures the lease liability based on the present value of the residual lease payments at the incremental borrowing rates on the first execution date, and is based on the amount of each lease based on the lease liability. The rent is subject to the necessary adjustments to measure the right to use assets. It is assumed that the new lease standard is adopted from the start date of the lease term, and the incremental borrowing interest rate of the Group as the lessee on the first execution date is used as the book value of the discount rate.

(2) The Group conducts impairment test on the right-of-use assets in accordance with Note III.18 and conducts corresponding accounting treatment.

The Group's operating leases, which are classified as low-value assets before the first implementation date, or operating leases that will be completed within 12 months, are treated as a simple way, and the right-of-use assets and lease liabilities are not recognized. In addition, the Group has adopted the following simplifications for operating leases prior to the first implementation date:

(1) When measuring lease liabilities, leases with similar characteristics may use the same discount rate; the measurement of use rights assets may not include initial direct costs;

(2) Where there is a renewal option or the termination of the lease option, the Group determines the lease term based on the actual exercise of the option before the first execution date and other recent developments;

(3) As an alternative to the impairment test of the right-of-use asset, the Group assesses whether the contract including the lease is a loss contract before the first execution date according to Note III.18, and adjusts the right-of-use asset based on the loss provision amount included in the balance sheet before the first execution date; and

(4) For the first implementation of the previous lease change, the Group performs accounting treatment based on the final arrangement of the lease change.

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

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

Changes in accounting policies (continued)

The New Lease Standard (continued)

For the minimum lease payments that have not been paid for the significant operating leases disclosed in the 2018 financial statements, the Group discounts the present value of the incremental borrowing rate of the Group as the lessee on 1 January 2019. The process of adjusting the difference in the lease liability included in the balance sheet is as follows:

Minimum lease payment of major operating lease on 31 December 2018	167,147,546.49
Less: Simplified Minimum lease payment	5,389,706.88
Include: Short-term lease	4,987,487.60
Low-value asset lease with a remaining lease term of over 12 months	402,219.28
Add (or Less): Other adjustment	-8,586,084.49
Minimum lease payments under the new lease standard on 1 January 2019	153,171,755.12
Weighted average of incremental borrowing rate on 1 January 2019	4.75%
Amount of lease liabilities on 1 January 2019	124,330,525.49

The impact of the implementation of the new leasing criteria on the balance sheet project on 1 January 2019 is as follows:

Consolidated Statement of Financial Position

	Amounts of report	Assume the original accounting standard	Impacts on the New Lease Standard
Prepayments	157,861,979.49	166,448,063.98	-8,586,084.49
Right-of-use assets	132,916,609.98	–	132,916,609.98
Lease liabilities	124,330,525.49	–	124,330,525.49

Company Statement of Financial Position

	Amounts of report	Assume the original accounting standard	Impacts on the New Lease Standard
Right-of-use assets	659,638.78	–	659,638.78
Lease liabilities	659,638.78	–	659,638.78

Notes to Financial Statements

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

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

Changes in accounting policies (continued)

The New Lease Standard (continued)

The impact of the implementation of the new lease standard on the financial statements for January to June 2019 is as follows:

Consolidated Statement of Financial Position

	Amounts of report	Assume the original accounting standard	Impacts on the New Lease Standard
Prepayments	233,020,370.90	242,432,625.57	-9,412,254.67
Right-of-use assets	172,628,600.70	–	172,628,600.70
Current portion of non-current liabilities	280,078,296.41	263,235,097.35	16,843,199.06
Lease liabilities	148,980,745.85	–	148,980,745.85
Undistributed profits	5,655,593,982.17	5,658,201,581.05	-2,607,598.88

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Amounts of report	Assume the original accounting standard	Impacts on the New Lease Standard
Operating cost	1,408,693,537.14	1,408,343,830.58	349,706.56
General and administrative expenses	86,367,885.95	86,728,263.52	-360,377.57
Financial expenses	269,305,401.40	266,687,131.51	2,618,269.89

Company Statement of Financial Position

	Amounts of report	Assume the original accounting standard	Impacts on the New Lease Standard
Right-of-use assets	37,482,915.34	–	37,482,915.34
Lease liabilities	37,604,512.85	–	37,604,512.85
Undistributed profits	5,642,488,442.44	5,642,610,039.95	-121,597.51

Company Statement of Profit or Loss and Other Comprehensive Income

	Amounts of report	Assume the original accounting standard	Impacts on the New Lease Standard
Operating cost	134,627,039.28	134,627,039.28	115,608.67
Administrative expenses	55,540,093.11	55,548,265.63	-8,172.52
Financial expenses	46,909,520.70	46,895,359.34	14,161.36

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

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

Changes in accounting policies (continued)

The New Lease Standard (continued)

In addition, the cash paid by the Group for repayment of the principal and interest of the lease liability is included in the cash flow statement as cash outflows from the financing activities, and the short-term lease payments and low-value asset lease payments that are simplified are made and variable lease payments that are not included in the measurement of lease liabilities are still included in cash outflows from operating activities.

Change in presentation of financial statements

According to the "Notice on Amending the 2019 Annual General Financial Statement Format of the General Enterprise" (Accounting [2019] No. 6), in the Balance Sheet, the "Receivable notes and Accounts receivable" item is split into "Receivable Notes" and "Accounts Receivable", "Accounts Payable and Accounts Payable" items are split into "Payable Bills" and "Accounts Payable"; in the income statement, "Research and Development Expenses" items reflect the expenses incurred during the research and development process. In addition to the expenditure, it also includes the amortization of self-developed intangible assets originally listed in the "Administrative Expenses" project and the Group retrospectively adjusted the comparative data. This change in accounting policy has no effect on the merger and the company's net profit and owner's equity.

Changes in accounting estimates

Details and reasons for changes in accounting estimates	Procedures for approval	Effective date	Notes (Financial statement items and amounts affected)
Changes in accounting estimates of unit usage of Meiguan Expressway, West section of Airport-Heao Expressway and East section of Airport-Heao Expressway	Approved by the Board of Directors of the Company on 23 August 2019.	1 April 2019	(a)

Notes to Financial Statements

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

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

Changes in accounting estimates (continued)

Changes in accounting estimates of unit usage of concession intangible assets of Meiguan Expressway, West section of Airport-Heao Expressway and East section of Airport-Heao Expressway:

(a) Since the actual traffic volumes of Meiguan Expressway, West section of Airport-Heao Expressway and East section of Airport-Heao Expressway significantly differed from the projected traffic volumes in the current period and the difference between the actual traffic volumes and the previous projected traffic volumes is expected to continue, and furthermore the surrounding highway networks and traffic diversion impact became stable, the Company appointed an independent professional traffic consultant to reassess the traffic volume of Meiguan Expressway,West section of Airport-Heao Expressway and East section of Airport-Heao Expressway in the future operating period in June 2019. The Board of Directors of the Company approved the changes in accounting estimates according to the revised traffic volume projection, on 23 August 2019, and adjusted the unit usage of the aforesaid expressways according to the revised total projected traffic volume from 1 April 2019 using prospective application. The unit usage of Meiguan Expressway was adjusted from RMB0.84 to RMB0.53, the unit usage of West section of Airport-Heao Expressway was adjusted from RMB0.78 to RMB0.59，and the unit usage of East section of Airport-Heao Expressway was adjusted from RMB3.49 to RMB2.95. Such changes in accounting estimates impacts the financial statement items for the year of 2019 as follows:

		Impact amount	
	Meiguan Expressway	West section of Airport-Heao Expressway	East section of Airport-Heao Expressway
Increase in intangible assets	4,102,960.28	2,837,689.25	8,647,791.30
Increase in deferred tax liabilities	74,677.72	–	1,502,386.41
Increase in tax payable	951,062.35	709,422.31	659,561.41
Decrease in cost of services	-4,102,960.28	-2,837,689.25	-8,647,791.30
Increase in income tax expenses	1,025,740.07	709,422.31	2,161,947.82
Increase in net profit	3,077,220.21	2,128,266.94	6,485,843.48
Increase in net profit attributable to owners of the Company	3,077,220.21	2,128,266.94	6,485,843.48

The above changes in accounting estimates would impact the magnitude of future amortization of the concession intangible assets of Meiguan Expressway, West section of Airport-Heao Expressway and East section of Airport-Heao Expressway to a certain extent.

IV. TAXATION

1. Main categories and rates of taxes:

Category	Tax base	Tax rate
Value added tax ("VAT")	Sale of goods and rendering of services income (from 1 May 2016 to 30 April 2018)	17%
	Sale of goods and rendering of services income (from 1 May 2018 to 31 March 2019)	16%
	Sale of goods and rendering of services income (from 1 April 2019)	13%
	Real estate development income (from 1 May 2016 to 30 April 2018)	11%
	Real estate development income (from 1 May 2018)	10%
VAT	Taxable advertisement income	6%
VAT	Entrusted management income revenue from businesses other than expressway toll road (from 1 May 2016)	6%
VAT	Revenue from expressway toll road business (from 1 May 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 rates used by the Company's subsidiary are disclosed as follows:

The Company	Applicable tax rate
Fameluxe Company(1)	16.5%
Nanjing Wind Power Technology Co., Ltd. (Nanjing Wind Power)(2)	15%

(1) Fameluxe Company is incorporated in Hong Kong with an applicable income tax rate of 16.5%.

(2) Nanjing Wind Power obtained the High-tech Enterprise Certification (Certification Code: GR201632004558) in November 2016. The high-tech enterprise certification is valid for three years. According to the "Enterprise Income Tax Law of the People's Republic of China" and the "Regulations on Tax Matters" of the Nanjing Local Taxation Bureau of Jiangsu Province, Nanjing Wind Power enjoys the preferential corporate income tax policy, which provides it a 15% corporate income tax rate for 2019.

2. Tax preference

Except the preferential corporate income tax policy received by Nanjing Wind Power, for the period ended 30 June 2019, there was no tax preference that would have a significant impact on the Group.

Notes to Financial Statements

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IV. TAXATION (CONTINUED)

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.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and cash equivalents

Item	30 June 2019	31 December 2018
Cash on hand	**11,001,079.48**	10,969,104.99
Bank deposits	**4,624,802,647.68**	4,215,721,979.08
Other money funds	**60,738,845.00**	–
Total	**4,696,542,572.16**	4,226,691,084.07
Including: cash abroad	**16,906,611.77**	17,281,573.35

As at 30 June 2019, the balance of funds for the project management special account, bill acceptance margin and regulated equity purchase of the Group's project were RMB1,671,276,829.67, RMB60,738,845.00 and RMB210,000,000.00, respectively. (31 December 2018: the balance of funds for the project management special account RMB1,645,847,754.50). The balance of the project management special account of the above project is reflected in the statement of the cash flows as restricted bank deposits (Note V.55 (7)).

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. Transactional financial assets

Item	30 June 2019	31 December 2018
Financial assets measured at fair value through profit or loss	**59,962,667.00**	45,103,194.00
Including: Derivative financial liabilities (a)	**59,962,667.00**	45,103,194.00
Total	**59,962,667.00**	45,103,194.00

(a) Transactional financial assets are foreign exchange swaps and foreign exchange forward contracts that are measured at fair value through profit or loss. On 18 July 2016, the Company issued a 5-year long-term bonds whose face value was 300 million United States Dollar ("USD"). In order to hedge exchange rate risk, the Company signed foreign exchange swap/forward contracts with a number of banks in phases. The first contract period is from July 2016 to July 2017, with a total amount of USD295 million, all of which are ordinary foreign exchange swap/forward contracts. The second contract period is from July 2017 to July 2018, with a total amount of USD300 million, of which USD150 million was under a capped swap/forward contract and USD150 million was under a regular foreign exchange swap/forward contract. In July 2018, the original foreign exchange swap and foreign exchange forward contract expired, and the Company confirmed a total investment loss of RMB49,740,000.00. The third contract period began in July 2018, of which a USD150 million contract will expire in July 2019, and the other USD150 million contract will expire in July 2021. In July 2019, the third phase of the USD150 million contract has expired, the company confirmed the investment income of RMB26,860,000.00, and signed a USD150 million fourth ordinary foreign exchange swap/forward contract, which will expire in July 2020. During the period, the above-mentioned derivative financial instruments have a fair value gain of RMB14,859,473.00 (the same period in 2018: a fair value gain of RMB10,165,724.90) (Note V.49).

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) The aging of accounts receivable according to the recognition date is analysed below:

	30 June 2019	31 December 2018
Within 1 year	**235,334,521.39**	142,974,232.51
1 to 2 years	**47,083,624.32**	26,732,147.73
2 to 3 years	**6,330,149.58**	93,869.66
Over 3 years	**28,891,303.71**	5,038,866.44
Sub-total	**317,639,599.00**	174,839,116.34
Less: Provision for bad debts	**3,861,206.23**	200,000.00
Total	**313,778,392.77**	174,639,116.34

(2) The changes in the provision for bad debt are as follows:

	Beginning balance	Business combinations not under common control additions	Additions	Reversal	Cancellation after verification (a)	Ending balance
30 June 2019	**200,000.00**	**3,771,206.23**	**90,000.00**	**–**	**-200,000.00**	**3,861,206.23**
31 December 2018	450,000.00	–	–	-250,000.00	–	200,000.00

(a) The accounts receivable written off by the Group for the period were RMB200,000.00 (corresponding period of 2018: Nil). The amount is the advertising revenue of Shenzhen Weikasi Technology and Culture Industry Co., Ltd. ("Weikasi Company"), which is subject to the approval of Shenzhen Expressway Advertising Co., Ltd. ("Advertising Company"). In the current period, the uncollectible amount of RMB200,000.00 was written off.

(3) Accounts receivable are analyzed by category as follows:

	30 June 2019			
	Ending balance		Provision for bad debts	
Category	Amount	% of total balance	Amount	% of total balance
Receivables that are subject to provision by group with similar credit risk characteristics	**317,639,599.00**	**100.00**	**3,861,206.23**	**1.22**
Group 1	**61,715,373.32**	**19.43**	**–**	**–**
Group 2	**132,326,440.58**	**41.66**	**90,000.00**	**0.07**
Group 3	**123,597,785.10**	**38.91**	**3,771,206.23**	**3.05**
Total	**317,639,599.00**	**100.00**	**3,861,206.23**	**1.22**

Notes to Financial Statements

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Accounts receivable (continued)

(3) Accounts receivable are analyzed by category as follows: (continued)

The aging of group 2 and group 3 according to the recognition date is analyzed below:

Group 2	30 June 2019		
Aging	Estimated default book balance	Expected credit loss rate (%)	Expected credit loss over the duration
Within 1 year	131,418,238.90	–	–
1 to 2 years	704,994.14	–	–
2 to 3 years	203,207.54	44.29	90,000.00
Over 3 years	–	/	–
Total	**132,326,440.58**	**/**	**90,000.00**

Group 3	30 June 2019		
Aging	Estimated default book balance	Expected credit loss rate (%)	Expected credit loss over the duration
Within 1 year	79,666,450.30	0.75	594,003.64
1 to 2 years	42,450,000.00	4.84	2,054,580.00
2 to 3 years	–	/	–
Over 3 years	1,481,334.80	75.78	1,122,622.59
Total	**123,597,785.10**	**/**	**3,771,206.23**

	31 December 2018			
	Ending balance		Provision for bad debts	
Category	Amount	% of total balance	Amount	% of total balance
Receivables that are subject to provision by group with similar credit risk characteristics	174,839,116.34	100.00	200,000.00	0.11
Group 1	59,555,198.06	34.06	–	–
Group 2	115,283,918.28	65.94	200,000.00	0.17
Total	174,839,116.34	100.00	200,000.00	/

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Accounts receivable (continued)

(3) Accounts receivable are analyzed by category as follows: (continued)

The aging of group 2 according to the recognition date is analyzed below：

	31 December 2018		
Aging	Estimated default book balance	Expected credit loss rate (%)	Expected credit loss over the duration
Within 1 year	114,757,633.54	–	–
1 to 2 years	232,415.08	–	–
2 to 3 years	93,869.66	–	–
Over 3 years	200,000.00	100	200,000.00
Total	115,283,918.28	/	200,000.00

(4) 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 30 June 2019	**279,562,310.41**	**2,617,552.77**	**88.01**
Total accumulated accounts receivable from the five largest debtors at 31 December 2018	141,502,579.74	–	80.93

4. Advances to suppliers

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

	30 June 2019	31 December 2018
Prepaid land-transferring fund	**186,641,077.90**	121,245,420.00
Others	**46,379,293.00**	45,202,643.98
Total	**233,020,370.90**	166,448,063.98

As at 30 June 2019, the amount represented the prepayments for land-transferring fee, construction, goods, prepaid refuel cards, survey and design expenses, prepaid billboard production fees, road insurance premium and so on.

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Advances to suppliers (continued)

(2) The aging analysis of advances to suppliers is as follows:

Aging	30 June 2019 Amount	30 June 2019 % of total balance	31 December 2018 Amount	31 December 2018 % of total balance
Within 1 year	**212,201,174.07**	**91.07**	160,443,756.49	96.40
1 to 2 years	**18,876,603.58**	**8.10**	4,310,402.64	2.59
2 to 3 years	**1,089,009.42**	**0.47**	973,564.98	0.58
Over 3 years	**853,583.83**	**0.36**	720,339.87	0.43
Total	**233,020,370.90**	**100.00**	166,448,063.98	100.00

As at 30 June 2019, advances to suppliers over 1 year mainly represented the construction payments. The advances to suppliers have not been carried over because the contracts have not been completed.

(3) Accumulated advances to the five largest suppliers:

Total accumulated advances to the five largest suppliers	Amount	% of total balance
30 June 2019	**201,844,301.10**	**86.62**
31 December 2018	134,680,899.49	80.91

5. Other receivables

(1) Other receivables are classified as follows:

	30 June 2019	31 December 2018
Interest receivable	**1,944,155.02**	2,367,187.50
Other receivables	**399,974,521.20**	1,577,889,017.01
Total	**401,918,676.22**	1,580,256,204.51

(2) The aging of other receivables according to the recognition date is analyzed below:

	30 June 2019	31 December 2018
Within 1 year	**213,217,408.26**	1,575,487,005.82
1 to 2 years	**142,546,263.67**	676,601.04
2 to 3 years	**42,388,315.55**	668,709.88
Over 3 years	**3,766,688.74**	3,423,887.77
Total	**401,918,676.22**	1,580,256,204.51

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other receivables (continued)

(3) The changes in the ending balance and provision for bad debts in accordance with expected credit losses are as follows:

	The first stage Expected credit loss over the next 12 months		The third stage Financial assets occurred credit impairment	
	Ending balance	**Provision for bad debts**	**Ending balance**	**Provision for bad debts**
1 January 2019	**1,580,256,204.51**	–	–	–
Additions	**485,354,973.55**	–	–	–
Reduction	**1,663,692,501.84**	–	–	–
30 June 2019	**401,918,676.22**	–	–	–

	The first stage Expected credit loss over the next 12 months		The third stage Financial assets occurred credit impairment	
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
1 January 2018	41,691,364.33	–	14,115.84	–
Additions	3,131,143,411.79	–	–	14,115.84
Reduction	1,592,578,571.61	–	14,115.84	14,115.84
31 December 2018	1,580,256,204.51	–	–	–

(4) Other receivables by nature are analyzed as follows:

Nature	**30 June 2019**	31 December 2018
Enterprise transaction receivable	**297,601,660.47**	2,159,050.21
Nanguang, Yanpai, Yanba, Longda Expressway ("Four Expressways") maintenance receivable	**35,266,853.02**	–
Nanguang, Yanpai, Yanba Expressway ("Three Expressways ") old station operation compensation receivable	**14,880,000.00**	–
The refund of prepaid land payments of the Nanjing Economic and Technological Development Zone Management Committee	**10,000,000.00**	–
Employees pre-borrowing	**5,148,727.13**	1,791,768.65
Advance payment receivable	**4,102,190.31**	6,778,921.63
Administrative reserve fund	**3,895,956.48**	3,897,417.77
Lease receivable	**3,023,600.00**	–
Project receivable of the national expressway software system transformation and upgrading project	**2,451,072.19**	–
The overpaid tax of the government compensation for Meiguan Expressway Extension	**2,442,470.58**	2,442,470.58
Interest receivable	**1,944,155.02**	2,367,187.50
The taxes receivable for the Three Expressways	**–**	932,672,618.97
Capital reduction receivables	**–**	606,662,489.40
Others	**21,161,991.02**	21,484,279.80
Total	**401,918,676.22**	1,580,256,204.51

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other receivables (continued)

(5) The five largest other receivables are analyzed as follows:

30 June 2019

Company name	Nature	30 June 2019	Aging	% of total balance	Provision for bad debts
Nanjing Ningfeng Energy Technology Co., Ltd.	Enterprise transaction receivable	**132,104,561.95**	Within 2 years	32.87	–
Baotou Lingxiang New Energy Co., Ltd.	Enterprise transaction receivable	**76,538,400.00**	Within 2 years	19.04	–
Baotou Nanfeng Wind Power Technology Co., Ltd.	Enterprise transaction receivable	**60,799,800.00**	Within 3 years	15.13	–
Shenzhen Transportation Bureauz	Old station operation compensation for Three Expressways and maintenance fees for Four Expressways	**50,146,853.02**	Within 1 year	12.48	–
Zhangshu Gaochuan New Energy Co. Ltd	Enterprise transaction receivable	**22,987,497.74**	Within 1 year	5.72	–
Total	/	**342,577,112.71**	/	85.24	–

31 December 2018

Company name	Nature	30 June 2019	Aging	% of total balance	Provision for bad debts
Shenzhen Transportation Bureau	The taxes for the Three Expressways borne by the government	932,672,618.97	Within 1 year	59.02	–
Shenzhen International Land Co., Ltd	Reduction of capital and other receivables	606,662,489.40	Within 1 year	38.39	–
Zhang Junyu, and Pang Yanxi	Deposits	3,700,000.00	Within 1 year	0.23	–
China united property insurance Co., Ltd.	Insurance company claims receivable	2,591,805.00	Within 1 year	0.16	–
Tax authorities	The overpaid tax of the government compensation	2,442,470.58	Within 2 years	0.15	–
Total	/	1,548,069,383.95	/	97.95	–

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Inventories

(1) Inventory classification

Item	30 June 2019			31 December 2018		
	Carrying amount	Allowance for impairment	Net book amount	Carrying amount	Allowance for impairment	Net book amount
Properties held for development (a)	**116,012,149.59**	**–**	**116,012,149.59**	115,302,984.60	–	115,302,984.60
Properties under development (b)	**199,259,334.11**	**–**	**199,259,334.11**	191,304,337.32	–	191,304,337.32
Properties held for sale (c)	**152,236,192.86**	**–**	**152,236,192.86**	277,051,859.65	–	277,051,859.65
Raw material	**37,639,425.16**	**–**	**37,639,425.16**	–	–	–
Goods in process	**6,511,013.28**	**1,930,228.28**	**4,580,785.00**	–	–	–
Finished goods	**4,015,724.38**	**–**	**4,015,724.38**	–	–	–
Toll tickets	**4,570,353.74**	**–**	**4,570,353.74**	4,103,579.38	–	4,103,579.38
Maintenance and repair parts	**606,173.00**	**–**	**606,173.00**	637,258.00	–	637,258.00
Low value consumables	**531,048.26**	**–**	**531,048.26**	539,179.88	–	539,179.88
Total	**521,381,414.38**	**1,930,228.28**	**519,451,186.10**	588,939,198.83	–	588,939,198.83

(a) Properties held for development were the lands held by the Group's subsidiary Guizhou Shenzhen Expressway Land Co., Ltd. (Guizhou Land) and the lands were planned to be developed under Phase IV to Phase V of "Interlaken Town Project".

(b) Properties under development

Name of project	Start time	Estimated completion date	The amount of estimated investment	Ending balance on 30 June 2019	Opening balance on 1 January 2019
Phase II Stage II of "Interlaken Town Project"	May 2018	April 2019	120,000,000.00	**–**	22,778,722.61
Phase III Stage I of "Interlaken Town Project"	December 2018	October 2020	425,000,000.00	**66,120,730.12**	63,007,941.28
Public area	December 2015	/	/	**133,138,603.99**	105,517,673.43
Total	/	/	/	**199,259,334.11**	191,304,337.32

(c) The properties held for sale are properties of the first Stage of Phase I, the first Stage of Phase II and the second Stage of Phase II of Interlaken Town Project. The first Stage of Phase I achieved a completion area of 38,768.63 square meters in 2016, of which 37,195.49 square meters of the completed area were delivered. In the current period, there was no delivery area and the remaining completed saleable area was 1,573.14 square meters. The first Stage of Phase II achieved a completion area of 54,760.09 square meters during 2018, of which 16,763.36 square meters of the completed area were delivered, and achieved a completion area of 26,366.78 square meters during the current period. The second Stage of Phase II achieved completion areas of 8,899.76 square meters during the current period. At the end of the current period, the sales were carried forward to 2,084.13 square meters, and the remaining completed saleable area was 6,815.63 square meters.

Notes to Financial Statements

For the six months ended 30 June 2019
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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Inventories (continued)

(2) The changes in the allowance for impairment are as follows:

For the six months ended 30 June 2019

	Beginning balance	Business combinations not under common control additions	Additions	Reversal	Cancellation after verification	Ending balance
Goods in process	–	1,930,228.28	–	–	–	**1,930,228.28**

(3) Borrowing cost capitalization

In the current period, the capitalized borrowing cost in the Group's inventories was RMB382,612.45 and the capitalization ratio was 4.75% (the same period in 2018: the capitalized borrowing cost was RMB2,818,156.00 and the capitalization ratio was 4.75%).

7. Contract assets

	30 June 2019			31 December 2018		
Item	Book balance	Provision for bad debt	Book value	Book balance	Provision for bad debt	Book value
Construction receivables	**214,350,859.70**	**–**	**214,350,859.70**	166,842,230.65	–	166,842,230.65
Quality deposits receivable (a)	**135,350,000.00**	**684,150.00**	**134,665,850.00**	–	–	–
Total	**349,700,859.70**	**684,150.00**	**349,016,709.70**	166,842,230.65	–	166,842,230.65

(a) In the current period, the Group added contract assets of RMB134,665,850.00 due to business combinations not under common control, all of which are wind turbine sales guarantees of Nanjing Wind Power.

The changes in the impairment of contract assets are as follows:

	Beginning balance	Business combinations not under common control additions	Additions	Reversal	Cancellation after verification	Ending balance
30 June 2019	**–**	**684,150.00**	**–**	**–**	**–**	**684,150.00**
31 December 2018	–	–	–	–	–	–

8. Current portion of non-current assets

Item	30 June 2019	31 December 2018
Receivables from Longli BT Project (Note V.11(a))	**22,548,751.19**	22,548,751.19
Total	**22,548,751.19**	22,548,751.19

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Other current assets

Item	30 June 2019	31 December 2018
Prepaid tax	**41,989,578.56**	41,310,337.24
Pending deduction of input value-added tax	**15,794,187.18**	22,844,804.46
Financial products	**–**	200,000,000.00
Total	**57,783,765.74**	264,155,141.70

Financial products were the closed-end capital-saving and floating-income products (No.2018573) issued by the China Development Bank Shenzhen Branch purchased by Shenzhen Guangshen Coastal Expressway Investment Co., Ltd. ("Coastal Company") in 2018. The upper limit of annualized rate of return was 3.9%, and the period was from 23 October 2018 to 7 January 2019.

10. Long-term prepayments

Item	30 June 2019	31 December 2018
Construction prepayments from the Shenzhen Outer Ring Expressway Investment Company Limited ("Outer Ring Company")	**351,522,685.71**	367,160,992.89
Prepayments for Shenzhen Airport-Heao Expressway reconstruction and expansion	**55,463,849.50**	–
Total	**406,986,535.21**	367,160,992.89

As on 30 June 2019, the Outer Ring Company has prepaid the construction funds for Baoan District and Longgang District in Outer Ring Expressway amounting to RMB351,522,685.71. The prepayments will be settled according to the progress of the construction.

11. Long-term receivables

(1) General information:

Item	30 June 2019			31 December 2018			
	Carrying amount	Bad debt provision	Net book amount	Carrying amount	Bad debt provision	Net book amount	Range of discount rate
Due from Shenzhen-Shanwei Special Cooperation Zone Development and Construction Co., Ltd. in relation to advance payment	**169,015,805.46**	**–**	**169,015,805.46**	156,473,492.73	–	156,473,492.73	–
Due from Guizhou Longli County Government in relation to the project management services provided to Longli BT Project (a)	**22,548,751.19**	**–**	**22,548,751.19**	22,548,751.19	–	22,548,751.19	–
Receivable on billboard quality deposits	**–**	**–**	**–**	4,500,000.00	–	4,500,000.00	–
Sub-total	**191,564,556.65**	**–**	**191,564,556.65**	183,522,243.92	–	183,522,243.92	–
Less: Current portion	**22,548,751.19**	**–**	**22,548,751.19**	22,548,751.19	–	22,548,751.19	–
Total	**169,015,805.46**	**–**	**169,015,805.46**	160,973,492.73	–	160,973,492.73	/

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For the six months ended 30 June 2019
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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Long-term receivables (continued)

(1) General information: (continued)

(a) The Longli BT project entrusted to Guishen Company was completed at the end of 2014. As at 30 June 2019, accounts receivable due from the Longli BT project was RMB22,548,751.19, which were expected to be received within 2019.

(2) The changes in the ending balance and provision for bad debts are as follows:

Item	The first stage Expected credit loss over the next 12 months	
	Ending balance	Provision for bad debt
1 January 2019	160,973,492.73	–
Additions	12,542,312.73	–
Reduction	4,500,000.00	–
30 June 2019	169,015,805.46	–

12. Other non-current financial assets

Item	30 June 2019	31 December 2018
Financial assets at fair value through profit or loss		
Equity of United Electronic Company	110,518,840.00	103,998,820.00
Equity of Water Planning & Design Institute Company	79,260,000.00	76,440,000.00
Total	189,778,840.00	180,438,820.00

In the current period, gains from changes in fair value of those equity investments amounted to RMB9,340,020.00 (the same period in 2018: none), please refer to Note V.49.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Long-term equity investments

For the six months ended 30 June 2019

Investee	31 December 2018	Current year movements: Current year additions	Current year movements: Investment income/loss recognized under equity pick-up method	Current year movements: Cash dividend declared	Current year movements: Others	30 June 2019	Share- holding (%)	impairment provided during the current period
1. Associates								
Shenzhen Expressway Engineering Consulting Company ("Consulting Company")	60,739,279.60	–	611,516.90	–	–	61,350,796.50	24	–
Shenzhen Huayu Expressway Investment Company ("Huayu" Company)S	57,291,455.37	–	4,637,143.37	-16,000,000.00	–	45,928,598.74	40	–
Guangdong Jiangzhong Expressway Company Limited ("Jiangzhong Company")	315,321,289.79	–	18,714,096.34	–	–	334,035,386.13	25	–
Nanjing Yangtze River Third Bridge Company Limited ("Nanjing Third Bridge Company")	336,657,796.18	–	29,583,011.23	-48,329,621.75	–	317,911,185.66	25	–
Guangdong Yangmao Expressway Company Limited ("Yangmao Company")	383,837,714.75	57,500,000.00	41,646,154.79	-70,788,247.72	–	412,195,621.82	25	–
Guangzhou Western Second Ring Expressway Company Limited ("GZ W2 Company")	289,747,039.65	–	31,323,290.34	-26,396,400.00	–	294,673,929.99	25	–
Yunfu Guangyun Expressway Company Limited ("Guangyun Company")	68,925,398.16	–	20,245,585.90	-2,632,365.80	–	86,538,618.26	30	–
Guizhou Hengtongli Property Company Limited ("Guizhou Hengtongli")	42,265,929.51	–	–	–	–	42,265,929.51	49	–
Shenzhen International United Land Company Limited ("United Land Company")	1,014,607,875.05	–	-4,162,880.11	–	-310,858.53	1,010,134,136.41	34.30	–
Bank of Guizhou Co., Limited ("Bank of Guizhou") (1)	878,141,617.00	–	60,687,348.62	–	-597,743.96	938,231,221.66	3.44	–
Chongqing Derun Environment Co., Limited ("Derun Environment") (2)	4,411,573,102.56	–	97,105,102.35	–	5,263,125.58	4,513,941,330.49	20	–
Total	7,859,108,497.62	57,500,000.00	300,390,369.73	-164,146,635.27	4,354,523.09	8,057,206,755.17	/	–

Notes to Financial Statements

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Long-term equity investments (continued)

2018

		Current year movements								
Investee	31 December 2017	Current year additions	Reduction	Investment income/ loss recognized under equity pick-up method	Cash dividend declared	Investment cost refunded	Others	31 December 2018	Share- holding (%)	Impairment provided during the year
1. Associates										
Consulting Company	53,484,186.60	–	–	8,380,093.00	-1,125,000.00	–	–	60,739,279.60	24	–
Huayu Company	44,978,772.50	–	–	21,112,682.87	-8,800,000.00	–	–	57,291,455.37	40	–
Jiangzhong Company	307,302,158.66	–	–	24,658,956.25	-16,639,825.12	–	–	315,321,289.79	25	–
Nanjing Third Bridge Company	286,316,237.75	–	–	50,341,558.43	–	–	–	336,657,796.18	25	–
Yangmao Company	337,426,224.67	57,500,000.00	–	85,788,247.72	-85,788,247.72	– 11,088,509.92	–	383,837,714.75	25	–
GZ W2 Company	254,647,119.35	–	–	57,397,107.70	-22,297,187.40	–	–	289,747,039.65	25	–
Guangyun Company	74,884,552.95	–	–	37,192,737.78	-37,192,737.78	-5,959,154.79	–	68,925,398.16	30	–
Guizhou Hengtongli	42,265,929.51	–	–	–	–	–	–	42,265,929.51	49	–
United Land Company	2,445,154,415.03	–	-2,205,000,000.00	-5,716,308.50	–	–	780,169,768.52	1,014,607,875.05	34.30	–
Bank of Guizhou (1)	806,867,232.14	–	–	79,689,626.36	-29,820,000.00	–	21,404,758.50	878,141,617.00	3.44	–
Derun Environment (2)	4,410,925,451.75	–	–	162,111,686.88	-146,400,000.00	–	-15,064,036.07	4,411,573,102.56	20	–
Total	9,064,252,280.91	57,500,000.00	-2,205,000,000.00	520,956,388.49	-348,062,998.02	-17,047,664.71	786,510,490.95	7,859,108,497.62	/	–

(1) On 17 June 2016, in accordance with the approval and authorization of the general meeting of Guizhou Bank, the Company occupied a seat on the board of directors of Guizhou Bank. Because of Guizhou Bank'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. On 2 April 2018, the third party company made capital injections to Guizhou Bank. The board of Guizhou Bank remained the same while the Company's shareholding of Guizhou Bank decreased from 3.78% to 3.44%, and the Company was still the place of the fourth largest shareholder. An adjustment of decreasing the other comprehensive income by RMB597,743.96 was made due to the movement of the other comprehensive income, in Guizhou Bank.

(2) 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 purchased 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 related 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 the equity method. In addition, an adjustment of increasing the other comprehensive income by RMB5,262,732.68 was due to the movement of the other comprehensive income in Derun Environment. An adjustment of increasing capital reserve by RMB392.90 was due to the movement of the capital reserve in Derun Environment.

(3) The percentage of ownership interest of the associated enterprise held is the same as the percentage of its voting power.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Investment properties

Subsequently measured at cost:

Item	30 June 2019	31 December 2018
1. Cost		
Balance at 1 January	**18,180,000.00**	18,180,000.00
Balance at 30 June/31 December	**18,180,000.00**	18,180,000.00
2. Accumulated depreciation		
Balance at 1 January	**5,805,116.40**	5,229,275.00
Current period additions	**287,971.20**	575,841.40
(1) Addition	**287,971.20**	575,841.40
Balance 30 June/31 December	**6,093,087.60**	5,805,116.40
3. Carrying amount		
Balance 1 January	**12,086,912.40**	12,374,883.60
Balance 30 June/31 December	**12,374,883.60**	12,950,725.00

The investment properties are the parking spaces in the Group's headquarter office building in the Jiangsu Building, where the Group commissioned the property company to rent these properties to the relevant car owner.

* The Group's investment properties are all located in the mainland of China and held in the form of leases.

On 30 June 2019, the investments without the certificate of ownership are listed as follows:

	Carrying amount	Reason for not yet obtaining the certificate of ownership
The parking lots of the Jiangsu Building	12,086,912.40	All the certificates of ownership of the parking lots in Shenzhen are not yet available

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Fixed assets

(1) Fixed asset movements

For the six months ended 30 June 2019

Item	Buildings	Traffic equipment	Motor vehicles	Office and other equipment	Total
1. Cost					
31 December 2018	633,055,713.66	1,020,537,484.54	31,226,582.54	50,564,688.61	1,735,384,469.35
Current period additions	2,421,289.84	6,285,544.29	934,451.32	6,871,951.82	16,513,237.27
– Purchase	1,329,392.80	46,500.00	357,536.21	4,054,180.23	5,787,609.24
– Construction in progress	1,091,897.04	6,000,432.50	–	–	7,092,329.54
– Business combinations not under common control	–	238,611.79	576,915.11	2,817,771.59	3,633,298.49
Current period reductions	10,348,183.40	–	771,927.33	1,185,352.88	12,305,463.61
– Disposals	10,348,183.40	–	771,927.33	1,185,352.88	12,305,463.61
30 June 2019	625,128,820.10	1,026,823,028.84	31,389,106.53	56,251,287.55	1,739,592,243.01
2. Accumulated depreciation					
31 December 2018	202,159,528.15	642,541,768.63	22,899,553.18	27,705,218.11	895,306,068.07
Current period additions	15,499,763.19	46,344,361.39	1,551,050.36	3,523,019.36	66,918,194.30
– Addition	15,499,763.19	46,344,361.39	1,551,050.36	3,523,019.36	66,918,194.30
Current period reductions	9,503,258.94	–	703,100.06	1,086,993.65	11,293,352.65
– Disposals	9,503,258.94	–	703,100.06	1,086,993.65	11,293,352.65
30 June 2019	208,156,032.40	688,886,130.02	23,747,503.48	30,141,243.82	950,930,909.72
3. Net book value					
30 June 2019	416,972,787.70	337,936,898.81	7,641,603.05	26,110,043.73	788,661,333.29
31 December 2018	430,896,185.51	377,995,715.91	8,327,029.36	22,859,470.50	840,078,401.28

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Fixed assets (continued)

(1) Fixed asset movements (continued)

2018

Item	Buildings	Traffic equipment	Motor vehicles	Office and other equipment	Total
1. Cost					
31 December 2017	882,607,957.15	1,513,595,621.98	31,281,453.96	57,899,811.93	2,485,384,845.02
Current year additions	3,283,091.21	84,819,791.68	4,149,975.80	6,509,600.49	98,762,459.18
– Purchase	3,073,657.24	54,069,843.16	4,149,975.80	6,131,903.49	67,425,379.69
– Construction in progress	209,433.97	30,749,948.52	–	377,697.00	31,337,079.49
Current year reductions	252,835,334.70	577,877,929.12	4,204,847.22	13,844,723.81	848,762,834.85
– Disposals	252,835,334.70	577,877,929.12	4,204,847.22	13,844,723.81	848,762,834.85
31 December 2018	633,055,713.66	1,020,537,484.54	31,226,582.54	50,564,688.61	1,735,384,469.35
2. Accumulated depreciation					
31 December 2017	283,145,800.71	987,437,691.77	23,844,912.29	33,821,171.48	1,328,249,576.25
Current year additions	38,078,448.28	110,613,183.80	3,038,610.19	6,606,298.52	158,336,540.79
– Addition	38,078,448.28	110,613,183.80	3,038,610.19	6,606,298.52	158,336,540.79
Current year reductions	119,064,720.84	455,509,106.94	3,983,969.30	12,722,251.89	591,280,048.97
– Disposals	119,064,720.84	455,509,106.94	3,983,969.30	12,722,251.89	591,280,048.97
31 December 2018	202,159,528.15	642,541,768.63	22,899,553.18	27,705,218.11	895,306,068.07
3. Net book value					
31 December 2018	430,896,185.51	377,995,715.91	8,327,029.36	22,859,470.50	840,078,401.28
31 December 2017	599,462,156.44	526,157,930.21	7,436,541.67	24,078,640.45	1,157,135,268.77

(2) Fixed assets without certificates of ownership

On 30 June 2019, the fixed assets without the certificates of ownership are listed as follows:

Item	Carrying amount	Reason for lacking certificates of ownership
Buildings	312,123,572.74	As all toll roads and the affiliated buildings and structures would be returned to the government when the approved operating periods expire, the Group has no intention to acquire the related property ownership certificates.

In the current period, depreciation expenses amounting to RMB63,835,017.03 were charged to cost of services (2018: RMB79,711,484.33), and depreciation expenses amounting to RMB3,002,442.65 were charged to general and administrative expenses (2018: RMB2,692,899.13).

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For the six months ended 30 June 2019
(RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Construction in progress

(1) Movements of significant construction in progress during the period

For the six months ended 30 June 2019

Item	Budget amount	31 December 2018	Current period additions	Transfer to fixed assets	Transfer to intangible assets	Other reductions in current period	30 June 2019	The proportion of the current year additions to total budget (%)	Source of funds
Nation-wide ETC toll interconnection project	59 million	964,412.87	1,930,372.02	178,796.00	-	-	2,715,988.89	3.27	Self-owned funds
Billboard and light box project	10 million	463,594.09	-	-	-	-	463,594.09	-	Self-owned funds
Toll station expansion project	25 million	9,311,802.25	547,600.00	320,000.00	8,177,668.25	814,134.00	547,600.00	2.19	Self-owned funds
First-class weighting equipment project	9.58 million	5,383,423.19	1,207,084.00	2,645,657.50	-	1,465,473.50	2,479,376.19	12.60	Self-owned funds
Fire control system updating project	2.06 million	-	90,000.00	-	-	-	90,000.00	4.37	Self-owned funds
Video monitoring project	17 million	6,672,530.60	29,400.00	1,702,686.00	-	6,281.00	4,992,963.60	0.17	Self-owned funds
Fee system software upgrade	15 million	2,254,576.14	183,000.00	-	-	-	2,437,576.14	1.22	Self-owned funds
ETC mobile pay	1.20 million	695,250.00	38,830.00	-	-	-	734,080.00	3.24	Self-owned funds
Others (a)	-	5,518,461.60	462,841.10	2,245,190.04	-	10,403.96	3,725,708.70	-	Self-owned funds
Total	/	31,264,050.74	4,489,127.12	7,092,329.54	8,177,668.25	2,296,292.46	18,186,887.61	/	/

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Construction in progress (continued)

(1) Movements of significant construction in progress during the period (continued)

2018

Item	Budget amount	31 December 2017	Current year additions	Transfer to fixed assets	Transfer to intangible assets	Other reductions in current year	31 December 2018	The proportion of the current year additions to total budget (%)	Source of funds
Nation-wide ETC toll interconnection project	59 million	266,000.00	4,517,838.29	3,819,425.42	–	–	964,412.87	7.64	Self-owned funds
Billboard and light box project	10 million	670,830.18	2,197.88	104,716.98	104,716.99	–	463,594.09	0.02	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	–	–	Self-owned funds
Toll station expansion project	25 million	7,731,870.05	6,531,825.20	3,675,127.00	–	1,276,766.00	9,311,802.25	26.41	Self-owned funds
First-class weighting equipment project	9.58 million	4,921,937.80	3,524,052.55	3,062,567.16	–	–	5,383,423.19	36.77	Self-owned funds
Fire control system updating project	4.03 million	2,040,276.84	17,140.00	2,057,416.84	–	–	–	0.43	Self-owned funds
Toll station weighting equipment movement projects	2.10 million	1,705,350.22	–	1,634,845.22	–	70,505.00	–	–	Self-owned funds
Video monitoring project	17 million	7,695,323.28	10,716,226.33	11,739,019.01	–	–	6,672,530.60	61.32	Self-owned funds
Tailing engineering	73 million	3,869,546.31	5,635,490.63	–	9,505,036.94	–	–	7.75	Self-owned funds
Fee system software upgrade	15 million	–	2,254,576.14	–	–	–	2,254,576.14	14.99	Self-owned funds
ETC mobile pay	1.20 million	–	695,250.00	–	–	–	695,250.00	57.94	Self-owned funds
Others (a)	–	5,178,306.64	7,063,326.28	5,243,961.86	1,459,213.49	19,995.97	5,518,461.60	–	Self-owned funds
Total	/	35,823,195.78	40,957,923.30	31,337,079.49	11,068,967.42	3,111,021.43	31,264,050.74	/	/

(a) The amounts of projects were not disclosed separately as they are not material.

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Construction in progress (continued)

(2) General information of construction in progress

Item	30 June 2019			31 December 2018		
	Carrying amount	Impairment	Net book amount	Carrying amount	Impairment	Net book amount
Nation-wide ETC toll interconnection project	**2,715,988.89**	**–**	**2,715,988.89**	964,412.87	–	964,412.87
Billboard and light box projects	**463,594.09**	**–**	**463,594.09**	463,594.09	–	463,594.09
Toll station expansion project	**547,600.00**	**–**	**547,600.00**	9,311,802.25	–	9,311,802.25
First-class weighting equipment project	**2,479,376.19**	**–**	**2,479,376.19**	5,383,423.19	–	5,383,423.19
Fire control system updating project	**90,000.00**	**–**	**90,000.00**	–	–	–
Video monitoring project	**4,992,963.60**	**–**	**4,992,963.60**	6,672,530.60	–	6,672,530.60
Fee system software upgrade	**2,437,576.14**	**–**	**2,437,576.14**	2,254,576.14	–	2,254,576.14
ETC mobile pay	**734,080.00**	**–**	**734,080.00**	695,250.00	–	695,250.00
Others	**3,725,708.70**	**–**	**3,725,708.70**	5,518,461.60	–	5,518,461.60
Total	**18,186,887.61**	**–**	**18,186,887.61**	31,264,050.74	–	31,264,050.74

17. Right-of-use assets (Applicable from 1 January 2019)

For the six months ended 30 June 2019

Item	Buildings	Billboards	Total
1. Cost:			
Add: Accounting policy changes	**107,254,807.99**	**25,661,801.99**	**132,916,609.98**
1 January 2019	**107,254,807.99**	**25,661,801.99**	**132,916,609.98**
Current period additions	**54,177,643.45**	**–**	**54,177,643.45**
– Additions	**54,177,643.45**	**–**	**54,177,643.45**
30 June 2019	**161,432,451.44**	**25,661,801.99**	**187,094,253.43**
2. Accumulated amortization:			
Current period additions	**11,620,867.64**	**2,844,785.09**	**14,465,652.73**
– Additions	**11,620,867.64**	**2,844,785.09**	**14,465,652.73**
30 June 2019	**11,620,867.64**	**2,844,785.09**	**14,465,652.73**
3. Net book value			
30 June 2019	**149,811,583.80**	**22,817,016.90**	**172,628,600.70**

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Intangible assets

For the six months ended 30 June 2019

Item	Concession intangible assets (a)	Office software	Billboard land use rights	Patent use rights	Total
1. Cost					
31 December 2018	34,532,766,806.91	13,549,554.76	63,075,736.39	–	34,609,392,098.06
Current period additions	680,782,463.33	2,978,084.42	–	79,810,700.00	763,571,247.75
– Purchased	681,954.04	327,178.28	–	–	1,009,132.32
– Constructions	675,252,526.02	–	–	–	675,252,526.02
– Business combinations not under common control (b)	–	2,650,906.14	–	79,810,700.00	82,461,606.14
– Other additions	4,847,983.27	–	–	–	4,847,983.27
Current period reductions	9,973,647.00	–	–	–	9,973,647.00
– Other reduction	9,973,647.00	–	–	–	9,973,647.00
30 June 2019	35,203,575,623.24	16,527,639.18	63,075,736.39	79,810,700.00	35,362,989,698.81
2. Accumulated amortization					
31 December 2018	7,685,608,539.71	9,545,558.54	59,769,216.25	–	7,754,923,314.50
Current period additions	665,553,707.61	994,384.09	626,440.32	1,995,267.50	669,169,799.52
– Additions	665,553,707.61	994,384.09	626,440.32	1,995,267.50	669,169,799.52
30 June 2019	8,351,162,247.32	10,539,942.63	60,395,656.57	1,995,267.50	8,424,093,114.02
3. Impairment					
31 December 2018	3,258,235,294.61	–	–	–	3,258,235,294.61
30 June 2019	3,258,235,294.61	–	–	–	3,258,235,294.61
4. Net book value					
30 June 2019	23,594,178,081.31	5,987,696.55	2,680,079.82	77,815,432.50	23,680,661,290.18
31 December 2018	23,588,922,972.59	4,003,996.22	3,306,520.14	–	23,596,233,488.95

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Intangible assets (continued)

2018

Item	Concession intangible assets (a)	Office software	Billboard land use rights	Total
1. Cost				
31 December 2017	38,462,465,396.52	16,308,069.85	62,311,555.28	38,541,085,021.65
Current year additions	1,047,584,230.03	1,969,017.09	764,181.11	1,050,317,428.23
– Purchased	–	1,969,017.09	–	1,969,017.09
– Constructions	1,031,457,349.37	–	764,181.11	1,032,221,530.48
– Other additions	16,126,880.66	–	–	16,126,880.66
Current year reductions	4,977,282,819.64	4,727,532.18	–	4,982,010,351.82
– Disposal	4,940,354,858.86	4,727,532.18	–	4,945,082,391.04
– Other reduction	36,927,960.78	–	–	36,927,960.78
31 December 2018	34,532,766,806.91	13,549,554.76	63,075,736.39	34,609,392,098.06
2. Accumulated amortization				
31 December 2017	7,754,009,955.65	11,173,014.08	53,684,488.40	7,818,867,458.13
Current year additions	1,474,838,768.83	2,584,489.97	6,084,727.85	1,483,507,986.65
– Additions	1,474,838,768.83	2,584,489.97	6,084,727.85	1,483,507,986.65
Current year reductions	1,543,240,184.77	4,211,945.51	–	1,547,452,130.28
– Disposal	1,543,240,184.77	4,211,945.51	–	1,547,452,130.28
31 December 2018	7,685,608,539.71	9,545,558.54	59,769,216.25	7,754,923,314.50
3. Impairment				
31 December 2017	3,258,235,294.61	–	–	3,258,235,294.61
31 December 2018	3,258,235,294.61	–	–	3,258,235,294.61
4. Net book value				
31 December 2018	23,588,922,972.59	4,003,996.22	3,306,520.14	23,596,233,488.95
31 December 2017	27,450,220,146.26	5,135,055.77	8,627,066.88	27,463,982,268.91

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Intangible assets (continued)

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

For the six months ended 30 June 2019

	Cost	31 December 2018	Current period additions	Current period reductions	Current period amortization	Current period amortization transfer out	30 June 2019	Accumulated amortization	Impairment
Qinglian Expressway (c)	9,290,753,949.14	6,748,322,028.50	8,177,668.25	9,973,647.00	155,227,740.42	–	6,591,298,309.33	2,077,659,661.06	620,000,000.00
Shenzhen Airport-Heao Expressway									
– Eastern Section	3,086,787,505.32	1,358,244,757.07	–	–	99,384,297.65	–	1,258,860,459.42	1,827,927,045.90	–
Shuiguan Expressway	4,448,811,774.58	3,410,481,252.11	–	–	163,200,761.02	–	3,247,280,491.09	1,201,531,283.44	–
Wuhuang Expressway	1,523,192,561.64	347,707,901.88	–	–	47,171,780.13	–	300,536,121.75	1,222,656,439.94	–
Meiguan Expressway	604,588,701.64	256,852,212.06	–	–	16,203,147.38	–	240,649,064.68	363,939,636.96	–
Shenzhen Airport-Heao Expressway									
– Western Section	843,517,682.25	251,736,510.04	–	–	19,514,337.11	–	232,222,172.93	611,295,509.32	–
Outer Ring Expressway (c)	1,947,057,863.50	1,947,057,863.50	667,074,857.77	–	–	–	2,614,132,721.27	–	–
Yichang Expressway (c)	3,123,065,164.24	2,889,552,387.26	–	–	71,853,288.72	–	2,817,699,098.54	305,366,065.70	–
Changsha Ring Road	241,830,372.93	205,589,616.50	681,954.04	–	8,045,271.18	–	198,226,299.36	44,286,027.61	–
Coastal Expressway (c)	9,423,161,231.67	6,173,378,443.67	4,847,983.27	–	84,953,084.00	–	6,093,273,342.94	696,500,577.39	2,638,235,294.61
Total	34,532,766,806.91	23,588,922,972.59	680,782,463.33	9,973,647.00	665,553,707.61	–	23,594,178,081.31	8,351,162,247.32	3,258,235,294.61

2018

	Cost	31 December 2017	Current year additions	Current year reductions	Current year amortization	Current year amortization transfer out	31 December 2018	Accumulated amortization	Impairment
Qinglian Expressway	9,290,753,949.14	6,981,982,455.22	10,964,250.43	1,200,000.00	243,424,677.15	–	6,748,322,028.50	1,922,431,920.64	620,000,000.00
Nanguang Expressway	–	2,246,769,553.45	–	2,807,909,473.41	78,036,897.46	639,176,817.42	–	–	–
Shenzhen Airport-Heao Expressway									
– Eastern Section	3,086,787,505.32	1,573,896,458.74	–	–	215,651,701.67	–	1,358,244,757.07	1,728,542,748.25	–
Shuiguan Expressway	4,448,811,774.58	3,747,150,068.38	–	–	336,668,816.27	–	3,410,481,252.11	1,038,330,522.47	–
Yanba Expressway	–	849,062,065.24	–	1,255,412,727.61	39,301,813.75	445,652,476.12	–	–	–
Wuhuang Expressway	1,523,192,561.64	468,045,326.57	–	–	120,337,424.69	–	347,707,901.88	1,175,484,659.76	–
Meiguan Expressway	604,588,701.64	295,900,042.29	–	–	39,047,830.23	–	256,852,212.06	347,736,489.58	–
Yanpai Expressway	–	488,218,744.61	–	910,532,308.18	36,097,327.66	458,410,891.23	–	–	–
Shenzhen Airport-Heao Expressway									
– Western Section	843,517,682.25	296,195,206.74	–	–	44,458,696.70	–	251,736,510.04	591,781,172.21	–
Outer Ring Expressway	1,947,057,863.50	926,564,764.56	1,020,493,098.94	–	–	–	1,947,057,863.50	–	–
Yichang Expressway	3,123,065,164.24	3,040,424,917.48	–	2,228,310.44	148,644,219.78	–	2,889,552,387.26	233,512,776.98	–
Changsha Ring Road	241,830,372.93	225,143,413.87	–	–	19,553,797.37	–	205,589,616.50	36,240,756.43	–
Coastal Expressway	9,423,161,231.67	6,310,867,129.11	16,126,880.66	–	153,615,566.10	–	6,173,378,443.67	611,547,493.39	2,638,235,294.61
Total	34,532,766,806.91	27,450,220,146.26	1,047,584,230.03	4,977,282,819.64	1,474,838,768.83	1,543,240,184.77	23,588,922,972.59	7,685,608,539.71	3,258,235,294.61

(b) Due to business combinations not involving enterprises under common control, Patent and Office software have increased by RMB79,810,700.00 and RMB2,650,906.14.

(c) For pledge of charging rights relate to Qinglian Expressway, Outer Ring Expressway, Yichang Expressway and Coastal Expressway, please refer to Notes V.31(1)(b) and V.55.

Notes to Financial Statements

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Intangible assets (continued)

(d) In the current period, the amount of amortization of intangible assets was RMB669,169,799.52 (Corresponding period in 2018: RMB752,824,650.61).

(e) In the current period, the Group capitalized borrowing costs on intangible assets amounting to RMB59,469,956.78 (Corresponding period in 2018: RMB26,892,497.40).

* The land use rights of the Group are in Mainland China and in the form of concession intangible assets.

19. Goodwill

	31 December 2018	Current period additions Business combinations not under common control	Current period reductions	30 June 2019
Nanjing Wind Power	–	156,039,775.24	–	**156,039,775.24**

The Group acquired Nanjing Wind Power in April 2019, forming a goodwill of RMB156,039,775.24. For the calculation process, please refer to Note VI.1.

The goodwill acquired by the business combination has been allocated to the following asset group for impairment testing:

- Wind turbines manufacturing asset group

The case where the book value of goodwill is allocated to the asset group is as follows:

	Fan manufacturing asset group	
Item	**30 June 2019**	31 December 2018
Book value of goodwill	**156,039,775.24**	–

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Deferred tax assets and deferred tax liabilities

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

Item	30 June 2019		31 December 2018	
	Deductible temporary differences	**Deferred tax assets**	Deductible temporary differences	Deferred tax assets
Depreciation and amortization difference of intangible assets along Coastal Expressway (a)	**1,234,057,569.84**	**308,514,392.46**	–	–
Deductible losses of Coastal Expressway (a)	**788,964,063.60**	**197,241,015.90**	–	–
Operating compensation of newly built toll station of Three Expressways (b)	**301,824,931.36**	**75,456,232.84**	312,144,931.35	78,036,232.84
Fair value adjustments arising from business combination not under common control (c)	**193,398,720.24**	**48,349,680.06**	201,289,764.53	50,322,441.13
Property compensation of Meiguan Company (d)	**117,511,628.52**	**29,377,907.13**	117,511,628.52	29,377,907.13
Operating compensation of newly built gates of Meiguan Expressway (e)	**101,373,043.48**	**25,343,260.87**	107,913,239.80	26,978,309.95
Amortization of Concession intangible assets (f)	**48,468,549.24**	**12,117,137.31**	–	–
Payroll accrued but not paid	**32,311,701.40**	**8,077,925.35**	32,879,467.40	8,219,866.85
Interest receivable from United Land Company's capital reduction (g)	**23,829,461.52**	**5,957,365.38**	23,518,603.00	5,879,650.75
Freight subsidy of Coastal Expressway (h)	**23,444,067.20**	**5,861,016.80**	–	–
The significant financing component of Guizhou Land's advance payment (i)	**14,844,695.52**	**3,711,173.88**	17,370,317.88	4,342,579.47
Compensation for demolition costs of old toll station of Three Expressways (j)	**10,668,888.80**	**2,667,222.20**	18,209,415.88	4,552,353.97
Guizhou Land's advance payment of prepaid income tax (k)	**10,093,767.20**	**2,523,441.80**	18,982,478.60	4,745,619.65
Other	**2,235,827.68**	**558,956.92**	2,582,357.12	645,589.28
Total	**2,903,026,915.60**	**725,756,728.90**	852,402,204.08	213,100,551.02

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

(a) In order to improve the profitability of Coastal Expressway, the Company has completed the capital increase of its subsidiary, Coastal Expressway, amounting to RMB4,100,000,000.00 in April 2019. Based on the future earnings, Coastal Expressway recognized the differences between the tax base and book value of intangible asset impairment and the accumulative amortization tax differences amounting to RMB308,514,392.46 as deferred assets. The Group also recognized the tax base and book value of part of the accumulated losses of previous years that can be covered amounting to RMB197,241,015.90 as deferred assets.

(b) The Company received a prepayment from the Shenzhen Government for the arrangement of compensation for the toll adjustment and asset transfer agreement of the Three Expressways, and recognized the differences between the tax base and book value as deferred tax assets.

(c) When the Company acquired the Hunan Changsha Shenchang Expressway Co., Ltd. ("Shenchang Company") and confirmed the fair value of its identifiable assets and liabilities, it recognized the corresponding deferred tax assets for the temporary difference between the tax base and the book value.

(d) The Company holds 34.30% equity of United Land Company, which is regarded as an associated company of the Company. Meiguan Company, the Company's subsidiary, recognized the future reverted property compensation granted by the United Land Company as non-current assets and confirmed the gains on disposal of assets. Considering the impact of the unrealized profits of the associates, the Group confirmed the gains on disposal of assets and recognized the differences between the tax base and book value as deferred tax assets.

(e) 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.

(f) The Group has recognized the differences between the tax base and book value of concession intangible assets of toll highways, including Shenzhen Airport-Heao Expressway – Eastern Section, Shenzhen Airport-Heao Expressway – Western Section and Meiguan Expressway, as deferred tax assets.

(g) In the current period, United Land Company, an associated company of the Company, capitalized the interest of the capital reduction of the headquarters. Considering the impact of the unrealized profits of the associates, the Company recognize the corresponding deferred income tax assets formed by the difference between the tax base and the book value based on its shareholding ratio of 34.30%.

(h) On 28 February 2018, Coastal Company and the Shenzhen Transportation Bureau signed an agreement on freight compensation for the Shenzhen section of the Guangzhou-Shenzhen Coastal Expressway. The agreement stipulated that during the adjustment, the freight charges of the Shenzhen section of the Coastal Expressway will be charged at 50% of the standard, and the freight charge adjustment period is effective from 0:00 on 1 March 2018 to 24:00 on 31 December 2020. The Group recognized the differences between the tax base and book value of freight compensation as deferred tax assets.

(i) According to "ASBE No.14 – Revenue", Guizhou Land recognized the impact of the financing component and accrued the interest expense on the contract with a term of more than one year between the payment of customers and the promised transfer of ownership of the property or service, and the deferred income tax asset was recognized accordingly.

(j) The Company advanced demolition costs of all old toll stations for the arrangement of compensation for the toll adjustment and asset transfer agreement of the Three Expressways, and recognized the differences between the tax base and book value as deferred tax assets. In the current period, the payment of demolition costs of all toll station was RMB7,540,527.08 and the corresponding deferred tax assets amounting to RMB1,885,131.77 were settled.

(k) According to the requirements of Guo Shui Fa [2009] No. 31, Guizhou Land pre-paid income tax on the estimated gross profit calculated based on the 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)

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

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

Item	30 June 2019 Taxable temporary differences	30 June 2019 Deferred tax liabilities	31 December 2018 Taxable temporary differences	31 December 2018 Deferred tax liabilities
The amortisation of concession intangible assets (a)	**485,406,842.16**	**121,351,710.54**	512,270,677.60	128,067,669.40
Business combinations involving enterprises not under common control (b)				
– Qinglong Company	**2,221,574,850.80**	**555,393,712.70**	2,335,732,937.38	583,933,234.35
– Hunan Yichang Expressway Development Co., Ltd. ("Yichang Company")	**1,027,713,508.48**	**256,928,377.12**	1,053,989,516.07	263,497,379.02
– Airport-Heao Eastern Company	**882,566,939.04**	**220,641,734.76**	952,142,717.36	238,035,681.33
– Guangdong Qinglian Highway Development Company Limited ("Qinglian Company")	**598,736,105.36**	**149,684,026.34**	626,365,911.82	153,286,671.05
– JEL Company	**220,729,381.55**	**55,182,345.39**	256,178,269.87	63,908,733.92
– Meiguan Company	**10,384,047.84**	**2,596,011.96**	19,706,829.55	2,906,366.71
– Nanjing Wind Power	**71,252,932.47**	**10,687,939.87**		
Financial assets appreciation (c)	**83,221,670.24**	**20,805,417.56**	73,881,650.22	18,470,412.56
Foreign exchange swap (d)	**59,962,667.00**	**14,990,666.75**	45,103,194.00	11,275,798.50
Total	**5,661,548,944.94**	**1,408,261,942.99**	5,875,371,703.87	1,463,381,946.84

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

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

(c) According to "ASBE No. 22-Identification and Measurement of Financial Instruments", the Company recognized the deferred tax liabilities based on the temporary difference by the added value after evaluation of stock right of United Electronic Company and Shenzhen Water Planning & Design Institute Company held by the Company.

(d) In the current period, gains on changes in fair value of foreign exchange swap contract and foreign exchange capped swap contract signed between the Company and banks were RMB14,859,473.00 and the deferred tax liabilities amounting to RMB3,714,868.25 were recognized.

Notes to Financial Statements

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

Item	Deferred tax assets and liabilities offset as at 30 June 2019	Net values of deferred tax assets/ liabilities as at 30 June 2019	Deferred tax assets and liabilities offset as at 31 December 2018	Net values of deferred tax assets/ liabilities as at 31 December 2018
Deferred tax assets	**-49,340,283.47**	**676,416,445.43**	-40,708,328.98	172,392,222.04
Deferred tax liabilities	**49,340,283.47**	**1,358,921,659.52**	40,708,328.98	1,422,673,617.86

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

Item	30 June 2019	31 December 2018
Deductible tax losses	**1,192,672,576.38**	1,866,149,725.21
Deductible temporary difference	**–**	1,333,793,699.39
Total	**1,192,672,576.38**	3,199,943,424.60

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

Year	30 June 2019	31 December 2018
Year 2019	**442,150,072.39**	442,150,072.39
Year 2020	**294,331,099.98**	406,315,244.29
Year 2021	**209,768,954.08**	380,503,712.89
Year 2022	**132,902,620.48**	350,004,673.74
Year 2023	**71,514,395.72**	287,176,021.90
Year 2024	**42,005,433.73**	–
Total	**1,192,672,576.38**	1,866,149,725.21

21. Other non-current assets

Item	30 June 2019	31 December 2018
Relocation property compensation of Meiguan Company (a)	**342,599,500.00**	342,599,500.00
Total	**342,599,500.00**	342,599,500.00

(a) According to the "Compensation Agreement for Meilinguan Urban Renewal Project of Shenzhen Longhua New District Minzhi Office", in July 2016, United Land Company paid the compensation for demolition of RMB28,328,230.00 to Meiguan Company, a subsidiary of the Company. On 27 April 2018, the two parties entered into the "Supplementary agreement for compensation Agreement for Meilinguan Urban Renewal Project of Shenzhen Longhua New District Minzhi Office", which stipulates that the United Land Company will increase the property compensation on the basis of the above monetary compensation, the compensated relocated property is the office building property of United Land Company, and the compensated building area is 9,120 square meters. The relocated property will be built in 2 to 3 years. On the date of signing the supplementary agreement, according to the evaluation report issued by Shenzhen Pengxin Assets Appraisal Co., Ltd. (Pengxin Valuing Newspaper [2018] No. 062), the fair value of the relocated property was RMB342,599,500.00.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Provision for impairment of assets

For the six months ended 30 June 2019

Item	31 December 2018	Current period additions Business combinations not involving enterprises under common control	Additions	Reductions	30 June 2019
Provision for impairment of concession intangible assets (a)	3,258,235,294.61	–	–	–	3,258,235,294.61
Provision for impairment of accounts receivable	200,000.00	3,771,206.23	90,000.00	200,000.00	3,861,206.23
Total	3,258,435,294.61	3,771,206.23	90,000.00	200,000.00	3,262,096,500.84

2018

Item	2017	Additions	Reductions	2018
Provision for impairment of concession intangible assets (a)	3,258,235,294.61	–	–	3,258,235,294.61
Provision for impairment of accounts receivable	450,000.00	–	250,000.00	200,000.00
Provision for impairment of other receivables	–	14,115.84	14,115.84	–
Total	3,258,685,294.61	14,115.84	264,115.84	3,258,435,294.61

(a) Please refer to Note V.18(a).

23. Short-term borrowings

Item	30 June 2019	31 December 2018
Pledged (1)	–	117,424,819.20
Credit (2)	483,676,381.63	–
Total	483,676,381.63	117,424,819.20

(1) On 4 April 2019, The Company repaid the previous year's short-term pledge loan of RMB117,424,819.20. The loan carried interest at 0.8% plus HIBOR, with the pledge of 45% shares in JEL Company. The term of the loan was from 4 April 2018 to 4 April 2019.

(2) On 30 June 2019, RMB481,676,381.63 of the loans were the negative deposit balances of the Company in Ping An Bank's equal fund pool overdraft. The loans were subject to overdraft interest and handling fees of 0.3% and 1% respectively, with the period from 11 March 2019 to 10 September 2019. The interest and fees are on a quarterly basis. The remaining RMB2,000,000.00 is the parent company's bank loan, the interest rate of the loan is the benchmark interest rate for loans for the same period, the borrowing period is from 31 May 2019 to 31 May 2020.

Notes to Financial Statements

For the six months ended 30 June 2019
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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. Bills payable

Item	30 June 2019	31 December 2018
Bank acceptances bills	60,738,745.00	–
Total	**60,738,745.00**	–

At 30 June 2019, the Group had no overdue bill.

25. Accounts payable

Accounts payable are interest-free which will be paid within one year in general. Accounts payable with aging over one year are mainly payables for construction projects which will be settled after completion.

(1) Analysis of accounts payable

Item	30 June 2019	31 December 2018
Payables for construction projects and quality deposits	656,098,877.02	675,770,466.91
Payables for goods	90,523,041.73	–
Others	46,168,325.36	39,135,353.86
Total	**792,790,244.11**	714,905,820.77

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

Item	30 June 2019	Reason for unsettlement
China Railway 18 Bureau Group Co., Ltd.	19,837,284.03	The project payment is not settled
Shenzhen Hopewind Electric Co., Ltd.	13,647,275.00	The payment for goods is not paid
Wuchuan Heavy Construction Co., Ltd.	8,428,320.00	The project payment is not settled
Hubei Zhongjiao Railway and Bridge Supervision Consulting Co., Ltd.	7,508,625.00	The project payment is not settled
China Communications Construction First Highway Consultants Co., Ltd.	6,700,106.00	The project payment is not settled
Total	**56,121,610.03**	/

(3) The aging of accounts payable according to the recognition date is analysed below:

	30 June 2019	31 December 2018
Within 1 month	58,906,606.95	187,599,514.67
1 to 2 months	15,337,393.34	9,784,229.98
2 to 3 months	3,696,209.01	5,957,578.85
3 months to 1 year	250,205,991.69	138,259,093.75
Over 1 year	464,644,043.12	373,305,403.52
Total	**792,790,244.11**	714,905,820.77

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Contract liabilities

(1) Items of contract liabilities

For the six months ended 30 June 2019

Item	1 January 2019	Current period additions	Carried forward revenue	Other changes	30 June 2019
Advances from sales of real estates	841,962,908.84	206,123,389.77	340,903,201.66	-4,893,607.00	702,289,489.95
Advances from advertising customers	14,872,110.48	13,156,075.49	26,868,118.64	7,069,682.91	8,229,750.24
Advance from operational maintenance	–	3,278,940.00	–	–	3,278,940.00
Others	1,877,723.45	2,625,075.64	1,278,591.97	–	3,224,207.12
Total	**858,712,742.77**	**225,183,480.90**	**369,049,912.27**	**2,176,075.91**	**717,022,387.31**

2018

Item	1 January 2018	Current period additions	Carried forward revenue	Other changes	31 December 2018
Advances from sales of real estates	–	1,154,480,094.17	309,077,901.33	-3,439,284.00	841,962,908.84
Advances from advertising customers	–	70,563,429.21	91,156,216.05	35,464,897.32	14,872,110.48
Others	–	3,282,849.18	1,405,125.73	–	1,877,723.45
Total	–	1,228,326,372.56	401,639,243.11	32,025,613.32	858,712,742.77

On 30 June 2019, the contract liabilities aged over 1 year were RMB132,519,799.06 (31 December 2018: RMB123,193,259.56). The balances of the contract liabilities through sales of completed properties held for sale of Phase II Stage I, Phase II Stage II and Phase III Stage I were RMB149,416,617.20, RMB20,973,428.00 and RMB531,899,454.75, respectively.

27. Employee benefits payable

(1) Analysis of employee benefits payable

For the six months ended 30 June 2019

Item	31 December 2018	Current period additions	Current period reductions	30 June 2019
I. Short-term wages	220,939,842.22	232,070,211.52	337,554,705.31	115,455,348.43
II. Pension benefits – defined contribution plans	942,579.94	23,659,731.58	21,242,276.03	3,360,035.49
Total	**221,882,422.16**	**255,729,943.10**	**358,796,981.34**	**118,815,383.92**

2018

Item	31 December 2017	Current year additions	Current year reductions	31 December 2018
I. Short-term wages	167,642,617.23	604,732,206.40	551,434,981.41	220,939,842.22
II. Pension benefits – defined contribution plans	1,179,415.02	48,737,047.46	48,973,882.54	942,579.94
Total	168,822,032.25	653,469,253.86	600,408,863.95	221,882,422.16

Notes to Financial Statements

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(RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. Employee benefits payable (continued)

(2) Analysis of short-term wages

For the six months ended 30 June 2019

Item	31 December 2018	Current period additions	Current period reductions	30 June 2019
I. Wages and salaries, bonuses, allowances and subsidies	**212,282,445.71**	**180,959,142.19**	**283,776,464.64**	**109,465,123.26**
II. Staff welfare	**958,617.42**	**21,670,503.19**	**21,825,700.60**	**803,420.01**
III. Social security contributions	**258,998.08**	**9,269,643.70**	**9,171,476.58**	**357,165.20**
Including: Medical insurance	**217,559.11**	**7,786,526.52**	**7,704,065.86**	**300,019.77**
Work injury insurance	**13,559.28**	**485,292.10**	**480,152.78**	**18,698.60**
Maternity insurance	**27,879.69**	**997,825.08**	**987,257.94**	**38,446.83**
IV. Housing funds	**683,037.28**	**13,730,373.32**	**14,216,138.14**	**197,272.46**
V. Labor union funds and employee education funds	**6,725,493.73**	**4,930,952.71**	**7,054,878.94**	**4,601,567.50**
VI. Others	**31,250.00**	**1,509,596.41**	**1,510,046.41**	**30,800.00**
Total	**220,939,842.22**	**232,070,211.52**	**337,554,705.31**	**115,455,348.43**

2018

Item	31 December 2017	Current year additions	Current year reductions	31 December 2018
I. Wages and salaries, bonuses, allowances and subsidies	159,652,011.10	496,330,666.30	443,700,231.69	212,282,445.71
II. Staff welfare	683,247.79	46,879,772.64	46,604,403.01	958,617.42
III. Social security contributions	371,523.98	19,017,404.54	19,129,930.44	258,998.08
Including: Medical insurance	312,081.18	15,974,672.77	16,069,194.84	217,559.11
Work injury insurance	19,450.33	995,614.99	1,001,506.04	13,559.28
Maternity insurance	39,992.47	2,047,116.78	2,059,229.56	27,879.69
IV. Housing funds	339,519.95	26,702,477.44	26,358,960.11	683,037.28
V. Labor union funds and employee education funds	5,939,362.19	12,064,542.98	11,278,411.44	6,725,493.73
VI. Others	656,952.22	3,737,342.50	4,363,044.72	31,250.00
Total	167,642,617.23	604,732,206.40	551,434,981.41	220,939,842.22

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. Employee benefits payable (continued)

(3) Analysis of defined contribution plans

For the six months ended 30 June 2019

Item	31 December 2018	Current period additions	Current period reductions	30 June 2019
I. Basic pensions	**472,206.04**	**16,900,441.08**	**16,721,462.49**	**651,184.63**
II. Unemployment insurance	**9,791.90**	**350,455.94**	**346,744.55**	**13,503.29**
III. Enterprise annuities	**460,582.00**	**6,408,834.56**	**4,174,068.99**	**2,695,347.57**
Total	**942,579.94**	**23,659,731.58**	**21,242,276.03**	**3,360,035.49**

2018

Item	31 December 2017	Current year additions	Current year reductions	31 December 2018
I. Basic pensions	677,363.59	34,672,586.69	34,877,744.24	472,206.04
II. Unemployment insurance	14,046.14	718,987.98	723,242.22	9,791.90
III. Enterprise annuities	488,005.29	13,345,472.79	13,372,896.08	460,582.00
Total	1,179,415.02	48,737,047.46	48,973,882.54	942,579.94

28. Taxes payable

Item	30 June 2019	31 December 2018
Corporate income tax payable (a)	**187,939,774.45**	898,414,800.80
VAT payable (a)	**31,240,156.78**	393,466,058.79
Land appreciation tax	**16,459,946.25**	9,605,497.19
City maintenance and construction tax payable (a)	**4,068,083.57**	28,479,600.84
Educational surcharge payable (a)	**3,450,123.39**	20,711,960.35
Others	**4,305,011.62**	2,746,000.63
Total	**247,463,096.06**	1,353,423,918.60

(a) The reduction of taxes payable was because that the taxes recognized for the arrangement of compensation for the toll adjustment and asset transfer agreement of the Three Expressways were paid.

Notes to Financial Statements

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. Other payables

(1) Analysis of other payables by nature

Item	30 June 2019	31 December 2018
Project funds retained for construction management contracts (a)	**1,664,691,962.13**	1,674,316,405.94
Payables due to associates	**296,282,812.60**	22,649,344.39
Payables for Nanjing Wind Power equity acquisition	**210,000,000.00**	–
Payable related to maintenance for roads	**168,903,960.90**	170,954,316.82
Payable related to costs of construction projects independently	**139,530,736.25**	139,615,305.62
Payable for tender and performance deposits and warranty	**49,375,977.87**	73,210,634.09
Country road construction fee and management service fee of Hunan Province	**35,966,315.30**	33,980,129.28
Enterprise transaction payable	**34,268,488.94**	–
Accrued project expenditure and administrative special expenses	**33,669,846.60**	37,964,492.97
Compensation settlement for Meiguan reconstruction and expansion	**33,249,357.80**	33,249,357.80
Mechanical and electrical costs payable	**32,089,331.29**	36,771,928.46
Payables for estimated equity acquisition	**26,000,000.00**	26,000,000.00
Payable due to equity transfer liquidated damages of Guizhou Xinhe Lifu Real Estate Development Co., Ltd.	**20,412,000.00**	–
Payable for agent-construction fee of Coastal Project Phase II	**19,378,599.38**	19,378,599.38
Payable for demolition fee of old stations	**10,668,888.81**	18,209,415.89
Subscription funds and down deposits received for real estate sales	**2,160,000.00**	1,970,000.00
Interest payable (b)	**148,587,824.92**	89,973,729.42
Dividend payable	**597,025,000.00**	–
Others	**22,480,340.44**	18,585,236.69
Total	**3,544,741,443.23**	2,396,828,896.75

(a) The Company was entrusted by the Shenzhen Government for the management of the construction of highway projects. The projects are funded by the Shenzhen Government. The Company follows the arrangement of the commitment contract to pay for the construction. According to the commitment contract, the Company was required to set up a special deposit account to settle the payment. The account was classified as a deposit in the special account of entrusted construction management and disclosed as a restricted bank deposit in the statement of cash and cash equivalents.

(b) Interest payable

Item	30 June 2019	31 December 2018
Interest on corporate bonds	**67,180,472.71**	45,135,560.81
Interest on medium-term notes	**70,876,787.97**	32,214,964.29
Interest on short-term borrowings	**1,417,672.99**	1,708,879.62
Interest on long-term borrowings with interest payable in installment and principal payable upon maturity	**7,195,864.25**	10,914,324.70
Interest on cash borrowings from associates	**1,917,027.00**	–
Total	**148,587,824.92**	89,973,729.42

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. Other payables (continued)

(2) Significant other payables with aging over 1 year

Item	30 June 2019	Reason for unsettlement
Shenzhen Longhua New District Management Committee	**33,249,357.80**	Contract settlement has not been completed.
Hunan Expressway Group Co., Ltd.	**29,502,784.73**	The terms of payment have not been met.
Hetai Investment Company	**26,000,000.00**	Contract settlement has not been completed.
GZ W2 Company	**18,452,812.60**	Dividend has been received but the dividend distribution plan has not been approved
Nanjing Xiyuan Logistics Co., Ltd.	**10,000,000.00**	Related party payments have not been paid
Total	**117,204,955.13**	/

30. Current portion of non-current liabilities

Item	30 June 2019	31 December 2018
Compensations related to the charge adjustment of Coastal Expressway due within one year (Note V.36)	**113,966,006.44**	99,561,965.67
Current portion of lease liabilities (Note V. 33)	**16,843,199.06**	–
Current portion of non-current borrowings (Note V.31 (1))	**149,269,090.91**	279,574,031.57
Including: Pledged loans	**79,360,000.00**	235,119,486.12
Credit loans	**69,909,090.91**	44,454,545.45
Total	**280,078,296.41**	379,135,997.24

31. Long-term borrowings

(1) Analysis of long-term borrowings

Item	30 June 2019	31 December 2018
Pledged	**7,971,855,479.53**	8,304,855,479.55
Credit	**656,227,272.72**	867,454,545.45
Less: Current portion	**149,269,090.91**	279,574,031.57
Total	**8,478,813,661.34**	8,892,735,993.43

(a) As at 30 June 2019, the Group's borrowings were repayable as follows:

Item	30 June 2019	31 December 2018
Within 1 year	**149,269,090.91**	279,574,031.57
1 to 2 years	**455,518,181.82**	491,231,349.07
2 to 5 years	**1,835,961,642.56**	2,746,479,185.62
Over 5 years	**6,187,333,836.96**	5,655,025,458.74
Total	**8,628,082,752.25**	9,172,310,025.00

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For the six months ended 30 June 2019
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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Long-term borrowings (continued)

(1) Analysis of long-term borrowings (continued)

(b) As at 30 June 2019, details of the long-term borrowings are set out as follows:

Item	Interest rate in current period	Currency	Amount in RMB	Guarantee details
Syndicated borrowings of Qinglian (i)	4.41%	RMB	1,683,824,000.00	Operating rights of Qinglian Expressway
Syndicated borrowings of Outer Ring (ii)	4.41%/4.90%	RMB	2,769,872,611.98	Operating rights of Outer Ring Expressway
Syndicated borrowings of Coastal Expressway (iii)	4.90%	RMB	3,518,158,867.55	Operating rights of Coastal Expressway
Working capital/mergers and acquisitions borrowings of Shenzhen Expressway (iv)	4.275%/4.75%	RMB	528,727,272.72	Credit (Floating loans/mergers and acquisitions loans)
Entrusted borrowings of Shenzhen Expressway (v)	4.28%-3.915%	RMB	127,500,000.00	Credit (Entrusted loans)
Less: Current portion		RMB	149,269,090.91	
Total	/	/	8,478,813,661.34	/

(i) On 30 June 2019, the interest rate on the loan was 10% below the benchmark interest rate for loans over five years.

(ii) On 30 June 2019, the interest rate on the loan of RMB1,444,416,705.98 was 10% below the benchmark interest rate for loans over five years; the interest rate on the remaining loan of RMB1,325,455,906.00 was the benchmark interest rate for loans over five years.

(iii) On 30 June 2019, the interest rate on the loan was the benchmark interest rate for loans over five years.

(iv) On 30 June 2019, the interest rate on the loan of RMB91,000,000.00 was 10% below the benchmark interest rate for loans over five years; the interest rate on the remaining loan of RMB437,727,272.72 was the benchmark interest rate for loans of one to five years (including five years).

(v) On 30 June 2019, the interest rate on the loan of RMB67,500,000.00 was 10% below the benchmark interest rate for loans with corresponding term on the withdrawal date of the loan, the interest rate on the remaining loan of RMB60,000,000.00 was 10% below the benchmark one-year loans interest rate on the withdrawal date of the loan.

32. Bonds payable

(1) Bonds payable

Item	30 June 2019	31 December 2018
Corporate bonds	**2,845,846,139.74**	2,838,547,774.79
Medium-term notes	**1,795,269,611.94**	1,794,372,233.60
Total	**4,641,115,751.68**	4,632,920,008.39

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. Bonds payable (continued)

(2) Movements of bonds payable

Name	Par value	Date of issuance	Maturity	Issued amount	Balance at 31 December 2018	Accrual of interest by par value	Discount and issue fee amortization	Exchange gains – net	30 June 2019
Corporate bonds (a)	800,000,000.00	31 July 2007	15 years	800,000,000.00	797,605,782.59	22,000,002.00	334,076.82	–	**797,939,859.41**
Corporate bonds (a)	1,995,330,000.00	18 July 2016	5 years	1,995,330,000.00	2,040,941,992.20	29,186,137.52	3,514,288.13	3,450,000.00	**2,047,906,280.33**
Medium-term notes (b)	1,000,000,000.00	30 July 2018	3 years	1,000,000,000.00	997,556,093.96	20,700,976.86	445,614.00	–	**998,001,707.96**
Medium-term notes (b)	800,000,000.00	15 August 2018	5 years	800,000,000.00	796,816,139.64	17,960,846.82	451,764.34	–	**797,267,903.98**
Total	4,595,330,000.00	/	/	4,595,330,000.00	4,632,920,008.39	89,847,963.20	4,745,743.29	3,450,000.00	**4,641,115,751.68**

(a) *Corporate bonds*

The Company issued long-term corporate bonds with a principal amount of RMB800,000,000.00, bearing interest at a rate 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. The interest is payable annually and the 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 shareholders' meeting on 19 May 2016 to consider and approve the issuance of debt financing instruments, and authorized the Board of Directors to issue the debt financing instruments. On 18 July 2016, the Company issued a long-term bond with a principal value of USD300,000,000.00 million. The bond issuance price was 99.46% of the principal value, bearing a term of 5 years and interest at a rate of 2.875% per annum. Interest has begun to be accrued from 18 July 2016 and is repaid semi-annually. On 18 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*

On 30 July 2018, approved by the China Association of Interbank Market Dealers, the Company issued medium-term notes of RMB1,000,000,000.00, which bear a term of 3 years and interest at a rate of 4.14% per annum with the interest payable annually and the principal repayable in full upon maturity on 30 July 2021.

On 15 August 2018, approved by the China Association of Interbank Market Dealers, the Company issued medium-term notes of RMB800,000,000.00, which bear a term of 5 years and interest at a rate of 4.49% per annum with the interest payable annually and the principal repayable in full upon maturity on 15 August 2023.

33. Lease liabilities (Applicable from 1 January 2019)

Item	30 June 2019
Lease contract	**165,823,944.91**
Less: Current portion	**16,843,199.06**
Total	**148,980,745.85**

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. Provisions

Item	30 June 2019	31 December 2018
Provisions for maintenance/resurfacing obligations	8,169,509.08	–
Total	**8,169,509.08**	–

Nanjing Wind Power estimates the service fees required for quality problems, and provides a premium based on 1% of sales revenue.

35. Deferred income

For the six months ended 30 June 2019

Item	31 December 2018	Current period addition	Current period reductions	30 June 2019	Explanation
Non-current liabilities					
Compensation to operating costs for Toll Free Section of Meiguan Expressway	107,913,239.80	–	6,540,196.32	**101,373,043.48**	Shenzhen Government compensation to the accrued operating costs for Toll Free Section of Meiguan Expressway in the future
Government compensation for demolition	19,228,922.22	–	1,373,494.44	**17,855,427.78**	Government compensation for demolition of Qinglong Company
Compensation to the accrued operating costs for Nanguang and Yanpai new station (a)	312,144,931.35	–	10,320,000.00	**301,824,931.35**	Shenzhen Government compensation to the accrued operating costs for Nanguang and Yanpai new station
Sub-total	439,287,093.37	–	18,233,690.76	**421,053,402.61**	/
Current liabilities					
Government financial grants	2,796,223.13	–	134,956.46	**2,661,266.67**	Return of government financial grants provided from Guizhou Longli County Government to Guishen Company
Total	442,083,316.50	–	18,368,647.22	**423,714,669.28**	/

(a) For the six months ended 30 June 2019, due to the adjustment of the fee compensation and asset transfer agreement for the three projects, the company has transferred deferred income was RMB10,320,000.00.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Deferred income (continued)

2018

Item	31 December 2017	Current year addition	Current year reductions	31 December 2018	Explanation
Non-current liabilities					
Compensation to operating costs for Toll Free Section of Meiguan Expressway	120,993,632.44	–	13,080,392.64	107,913,239.80	Shenzhen Government compensation to the accrued operating costs for Toll Free Section of Meiguan Expressway in the future
Government compensation for demolition	21,975,911.10	–	2,746,988.88	19,228,922.22	Government compensation for demolition of Qinglong Company
Compensation to the accrued operating costs for Nanguang and Yanpai new station	–	330,104,931.35	17,960,000.00	312,144,931.35	Shenzhen Government compensation to the accrued operating costs for Nanguang and Yanpai new station
Sub-total	142,969,543.54	330,104,931.35	33,787,381.52	439,287,093.37	/
Current liabilities					
Government financial grants	2,688,148.48	247,170.00	139,095.35	2,796,223.13	Return of government financial grants provided from Guizhou Longli County Government to Guishen Company
Total	145,657,692.02	330,352,101.35	33,926,476.87	442,083,316.50	/

Items of government grants:

For the six months ended 30 June 2019

Item	31 December 2018	Additional grants in current period	Recognized in non-operating income in current period	Other changes	30 June 2019	Related to assets/revenue
Government financial grants	**2,796,223.13**	**–**	**134,956.46**	**–**	**2,661,266.67**	**Related to assets**
Compensation for demolition	**19,228,922.22**	**–**	**1,373,494.44**	**–**	**17,855,427.78**	**Related to assets**
Total	**22,025,145.35**	**–**	**1,508,450.90**	**–**	**20,516,694.45**	**/**

2018

Item	31 December 2017	Additional grants in current year	Recognized in non-operating income in current year	Other changes	31 December 2018	Related to assets/revenue
Government financial grants	2,688,148.48	247,170.00	139,095.35	–	2,796,223.13	Related to assets
Compensation for demolition	21,975,911.10	–	2,746,988.88	–	19,228,922.22	Related to assets
Total	24,664,059.58	247,170.00	2,886,084.23	–	22,025,145.35	/

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. Other non-current liabilities

Item	30 June 2019	31 December 2018
Compensations related to the toll adjustment of Three Expressways		
Acquisition of compensations related to the toll adjustment of Three Expressways (a)	**–**	6,588,000,000.00
Add: cumulative recognition of financial expense	**–**	904,210,000.00
Less: cumulative deduction of toll income containing tax	**–**	2,130,330,000.02
Carry over of compensations related to the toll adjustment of Three Expressways (a)	**–**	5,361,879,999.98
Balances of compensations related to the toll adjustment of Three Expressways	**–**	–
Compensations related to the freight subsidy of Coastal Expressway		
Acquisition of compensations related to the freight subsidy of Coastal Expressway (b)	**302,000,000.00**	302,000,000.00
Add: cumulative recognition of financial expense	**28,750,056.97**	20,311,356.88
Less: tax	**9,775,736.90**	9,775,736.90
Less: cumulative deduction of toll income containing tax	**142,823,289.93**	84,603,607.10
Balances of compensations related to the freight subsidy of Coastal Expressway	**178,151,030.14**	227,932,012.88
Less: current portion of compensations related to the freight subsidy of Coastal Expressway	**113,966,006.44**	99,561,965.67
Sub-total	**64,185,023.70**	128,370,047.21
Total	**64,185,023.70**	128,370,047.21

(a) On 30 November 2015, the Company entered into an agreement with the Shenzhen Transportation Bureau to arrange the compensation related to toll adjustment of the Three Expressways. As at 29 December 2015, the Company received the first compensation of RMB6,588,000,000.00 and it was included in the bank deposit as the present value of future income, and the final value of compensation future income was included in other non-current liabilities. The Three Expressways toll road exemption scheme will be carried out in two stages starting from midnight on 7 February 2016. The first stage started from 7 February 2016 and ended on 31 December 2018. During this period, the Shenzhen Transportation Bureau purchased the toll services of these roads and gave a cash compensation for the toll fee exemptions caused by this purchase while the Company retain control and was responsible for the maintenance and resurfacing of the relevant toll roads.

In the fourth quarter of year 2018, the Shenzhen Transportation Bureau issued <the Notice of the Municipal Transport and Shenzhen Transportation Bureau on the Second Stage Adjustment of Toll Collection of Nanguang, Yanpai and Yanba Expressways>, clarifying the second stage of toll collection is that the remaining rights and interests in toll roads of the Three Expressways will be retrieved by the Shenzhen Transportation Bureau and a one-off cash compensation will be made to the Company. On December 31, 2018, the company has handed over three projects and the corresponding assets and liabilities have been carried forward.

(b) On 28 February 2018, Coastal Company and the Shenzhen Transportation Bureau signed an agreement on freight compensation for the Shenzhen section of the Guangzhou-Shenzhen Coastal Expressway. The agreement stipulated that during the adjustment, the freight charges of the Shenzhen section of the Coastal Expressway will be charged at 50% of the standard, and the freight charge adjustment period is effective from 0:00 on 1 March 2018 to 24:00 on 31 December 2020. On 31 March 2018, Coastal Company received the above compensation amount of RMB302,000,000.00, the financing expenses were not recognized in this amount. Financial expenses recognized in the current period were RMB8,438,700.09.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37. Share capital

For the six months ended 30 June 2019

Item	31 December 2018	Movement: New shares issued	Movement: Rights issue	Movement: Transfer from surplus	Movement: Others	Movement: Sub-total	30 June 2019
Total share capital	2,180,770,326.00	–	–	–	–	–	2,180,770,326.00

2018

Item	31 December 2017	Movement: New shares issued	Movement: Rights issue	Movement: Transfer from surplus	Movement: Others	Movement: Sub-total	31 December 2018
Total share capital	2,180,770,326.00	–	–	–	–	–	2,180,770,326.00

38. Capital surplus

For the six months ended 30 June 2019

Item	31 December 2018	Current period additions	Current period reductions	30 June 2019
Share premium	2,274,351,523.42	–	–	2,274,351,523.42
Other capital reserve-business combination involving enterprise under common control	3,128,000,000.00	–	–	3,128,000,000.00
Other capital reserve- acquisition of minority interests	-120,924,166.49	–	–	-120,924,166.49
The capital injection of the invested entity	921,200,000.00	–	–	921,200,000.00
Other capital reserve-others	16,399,775.48	392.90	–	16,400,168.38
Total	6,219,027,132.41	392.90	–	6,219,027,525.31

2018

Item	31 December 2017	Current year additions	Current year reductions	31 December 2018
Share premium	2,274,351,523.42	–	–	2,274,351,523.42
Other capital reserve-Business combination involving enterprise under common control	3,128,000,000.00	–	–	3,128,000,000.00
Other capital reserve- Acquisition of minority interests	-120,924,166.49	–	–	-120,924,166.49
The capital injection of the invested entity	–	921,200,000.00	–	921,200,000.00
Other capital reserve-Others	1,567,564.50	15,082,210.98	250,000.00	16,399,775.48
Total	5,282,994,921.43	936,282,210.98	250,000.00	6,219,027,132.41

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For the six months ended 30 June 2019
(RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. Other comprehensive income

For the six months ended 30 June 2019

		Amount incurred in the current period		
Item	31 December 2018	Pre-tax amount incurred during the period	Post-tax amount attributable to owners of the Company	30 June 2019
Items that may be reclassified subsequently to profit or loss:	881,375,987.20	**5,018,167.27**	**5,018,167.27**	**886,394,154.47**
– 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**
– Share of other comprehensive income from investees accounted for the equity method to be reclassified to profit or loss in the subsequent year (Note V.13(1)(2))	-13,566,824.35	**4,664,988.72**	**4,664,988.72**	**-8,901,835.63**
– Foreign currency financial statement translation difference	1,404,412.81	**353,178.55**	**353,178.55**	**1,757,591.36**
Total other comprehensive income	881,375,987.20	**5,018,167.27**	**5,018,167.27**	**886,394,154.47**

2018

		Amount incurred in the current year		
Item	31 December 2017	Pre-tax amount incurred during the year	Post-tax amount attributable to owners of the Company	31 December 2018
Items that may be reclassified subsequently to profit or loss:	887,624,170.50	-6,248,183.30	-6,248,183.30	881,375,987.20
– 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
– Share of other comprehensive income from investees accounted for the equity method to be reclassified to profit or loss in the subsequent year	-4,825,335.80	-8,741,488.55	-8,741,488.55	-13,566,824.35
– Foreign currency financial statement translation difference	-1,088,892.44	2,493,305.25	2,493,305.25	1,404,412.81
Total other comprehensive income	887,624,170.50	-6,248,183.30	-6,248,183.30	881,375,987.20

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40. Surplus reserve

For the six months ended 30 June 2019

Item	31 December 2018	Current period additions	Current period reductions	30 June 2019
Statutory surplus reserve	**2,028,273,730.23**	–	–	**2,028,273,730.23**
Discretionary surplus reserve	**453,391,330.06**	–	–	**453,391,330.06**
Total	**2,481,665,060.29**	–	–	**2,481,665,060.29**

2018

Item	31 December 2017	Current year additions	Current year reductions	31 December 2018
Statutory surplus reserve	1,685,223,593.83	343,050,136.40	–	2,028,273,730.23
Discretionary surplus reserve	453,391,330.06	–	–	453,391,330.06
Total	2,138,614,923.89	343,050,136.40	–	2,481,665,060.29

In accordance with the Company Law of the People's 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 cease when the statutory surplus reserve reaches 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase capital after approval from the appropriate authorities. The Company did not appropriate any statutory surplus reserve for the six months ended 30 June 2019 (2018: RMB343,050,136.40).

The amount of the Company's discretionary surplus reserve is proposed by the Board of Directors and approved by the shareholders' meeting. The discretionary surplus reserve can be used to make up for previous years' loss or increase share capital upon approval. The Company has not appropriated any discretionary surplus reserve for the six months ended 30 June 2019 (2018: Nil).

41. Undistributed profits

Item	For the six months ended 30 June 2019	2018
Unadjusted balance of undistributed profit at the end of the last financial year	**5,624,252,437.38**	6,256,075,328.76
Business combination involving enterprises under common control	–	-3,113,068,776.71
Sub-total	**5,624,252,437.38**	3,143,006,552.05
Changes in accounting policies	–	38,476,512.20
Adjusted opening balance of undistributed profits	**5,624,252,437.38**	3,181,483,064.25
Add: Net profit attributable to equity holders of the Company in current period/year	**1,576,824,356.13**	3,440,050,607.33
Less: Appropriation for statutory surplus reserve	–	343,050,136.40
Dividends	**1,548,346,931.46**	654,231,097.80
Undistributed profits at the end of the year	**5,652,729,862.05**	5,624,252,437.38

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For the six months ended 30 June 2019
(RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

41. Undistributed profits (continued)

In accordance with the resolution passed in the Annual General Meeting on 22 May 2019, the Company proposed a cash dividend to all shareholders, amounting to RMB1,548,346,931.46, which was calculated with reference to the 2,180,770,326 shares issued and a dividend of RMB0.71 per share. The dividends accounted for 45% of the Company's 2018 net profit. As at 30 June 2019, a cash dividend amounting to RMB597,025,000.00 has not been paid to shareholders.

42. Revenue and cost of services

	For the six months ended 30 June 2019		For the six months ended 30 June 2018	
Item	**Revenue**	**Cost**	Revenue	Cost
Main business – toll road	**2,204,299,369.88**	**1,052,312,982.16**	2,462,484,827.14	1,164,462,427.98
Other services -				
Real estate development revenue	**309,497,921.57**	**199,219,927.58**	110,811,155.82	56,545,335.55
Management services revenue	**85,360,951.20**	**80,503,932.71**	44,519,266.83	22,188,379.02
Advertising services revenue	**27,351,155.96**	**20,995,236.70**	41,609,548.77	28,294,665.04
Others	**72,683,303.20**	**55,661,457.99**	18,097,964.80	11,369,684.48
Sub-total of other businesses	**494,893,331.93**	**356,380,554.98**	215,037,936.22	118,398,064.09
Total	**2,699,192,701.81**	**1,408,693,537.14**	2,677,522,763.36	1,282,860,492.07

Construction contracts are as follows:

For the six months ended 30 June 2019

Item	**Total amount**	**Cumulative incurred costs**	**Cumulative gross profit**	**The amount of the settlement price**
Fixed cost contracts	**1,044,129,700.03**	**154,479,573.15**	**–**	**117,714,000.00**

For the six months ended 30 June 2018

Item	Total amount	Cumulative incurred costs	Cumulative gross profit	The amount of the settlement price
Fixed cost contracts	1,044,129,700.03	4,277,278.68	–	–

Rental income is as follow:

Item	**For the six months ended 30 June 2019**	For the six months ended 30 June 2018
Operating lease	**15,416,969.79**	7,728,646.76
Including: sub-leasing operating lease	**64,806.15**	–

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

42. Revenue and cost of services (continued)

The revenue is analyzed as follows:

For the six months ended 30 June 2019

Reportable segments	Toll road	Real estate development	Management service	Advertising service	Others	Total
Main operating areas						
Guangdong Province	1,737,722,341.11	–	55,900,451.58	27,351,155.96	65,544,029.64	1,886,517,978.29
Hunan Province	265,806,906.69	–	–	–	7,139,273.56	272,946,180.25
Guizhou Province	–	309,497,921.57	29,460,499.62	–	–	338,958,421.19
Hubei Province	200,770,122.08	–	–	–	–	200,770,122.08
Total	2,204,299,369.88	309,497,921.57	85,360,951.20	27,351,155.96	72,683,303.20	2,699,192,701.81
Main service categories						
Toll road	2,204,299,369.88	–	–	–	–	2,204,299,369.88
Real estate development	–	309,497,921.57	–	–		309,497,921.57
Management service	–	–	85,360,951.20	–	–	85,360,951.20
Advertising service	–	–	–	27,351,155.96	–	27,351,155.96
Others	–	–	–	–	72,683,303.20	72,683,303.20
Total	2,204,299,369.88	309,497,921.57	85,360,951.20	27,351,155.96	72,683,303.20	2,699,192,701.81
Timing for revenue recognition						
Revenue recognized at some point	2,204,299,369.88	309,497,921.57	–	–	72,683,303.20	2,586,480,594.65
Revenue recognized during some period	–	–	85,360,951.20	27,351,155.96	–	112,712,107.16
Total	2,204,299,369.88	309,497,921.57	85,360,951.20	27,351,155.96	72,683,303.20	2,699,192,701.81

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

42. Revenue and cost of services (continued)

The revenue is analyzed as follows (continued):

For the six months ended 30 June 2018

Reportable segments	Toll road	Real estate development	Management service	Advertising service	Others	Total
Main operating areas						
Guangdong Province	1,998,138,743.06	–	36,496,994.23	41,609,548.77	17,306,048.14	2,093,551,334.20
Hunan Province	274,282,105.22	–	–	–	791,916.66	275,074,021.88
Guizhou Province	–	110,811,155.82	8,022,272.60	–	–	118,833,428.42
Hubei Province	190,063,978.86	–	–	–	–	190,063,978.86
Total	2,462,484,827.14	110,811,155.82	44,519,266.83	41,609,548.77	18,097,964.80	2,677,522,763.36
Main service categories						
Toll road	2,462,484,827.14	–	–	–	–	2,462,484,827.14
Real estate development	–	110,811,155.82	–	–	–	110,811,155.82
Management service	–	–	44,519,266.83	–	–	44,519,266.83
Advertising service	–	–	–	41,609,548.77	–	41,609,548.77
Others	–	–	–	–	18,097,964.80	18,097,964.80
Total	2,462,484,827.14	110,811,155.82	44,519,266.83	41,609,548.77	18,097,964.80	2,677,522,763.36
Timing for revenue recognition						
Revenue recognized at some point	2,462,484,827.14	110,811,155.82	–	–	18,097,964.80	2,591,393,947.76
Revenue recognized during some period	–	–	44,519,266.83	41,609,548.77	–	86,128,815.60
Total	2,462,484,827.14	110,811,155.82	44,519,266.83	41,609,548.77	18,097,964.80	2,677,522,763.36

43. Tax and surcharges

Item	**For the six months ended 30 June 2019**	For the six months ended 30 June 2018
Land appreciation tax	**12,715,655.66**	8,883,929.63
City maintenance and construction tax	**5,977,395.18**	6,704,967.83
Educational surcharge	**4,723,698.63**	4,833,975.19
Property tax	**2,717,448.37**	3,186,988.44
Stamp tax	**1,514,946.27**	65,777.90
Construction fee for culture development	**676,941.25**	853,814.33
Others	**321,876.87**	129,903.79
Total	**28,647,962.23**	24,659,357.11

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44. General and administrative expenses

Item	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Salary and wages	**53,345,741.78**	21,965,195.65
Rental fees	**413,273.87**	5,066,691.66
Depreciation and amortization	**10,960,295.94**	3,311,295.27
Lawyers and advisory fees	**3,444,337.09**	1,979,208.46
Travel fees	**1,302,989.98**	1,890,060.07
Office building management fees	**2,029,730.17**	1,291,259.37
Office and communication charges	**1,458,560.84**	931,036.75
Vehicle fees	**782,250.37**	755,297.55
Stock exchange fees	**2,428,714.01**	409,840.66
Audit fees	**2,919,463.14**	361,898.13
Business entertainment	**1,904,438.85**	1,656,696.94
Others	**2,395,600.36**	2,577,271.24
Total	**83,385,396.40**	42,195,751.75

45. Research and development expenses

Item	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Nanjing wind power patent development	**2,982,489.52**	–
Total	**2,982,489.52**	–

The research and development expenses include costs of materials, and labor, depreciation and amortization of R&D machines used in the development of patents. The R&D projects in this period mainly include MV-class wind turbine load test research and the developments of NJ121-3MW onshore Fengli generator set, the optimization based on ultra-low wind speed fan control system and optimized design of NJ130-2200 wind turbine.

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For the six months ended 30 June 2019
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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46. Financial expenses

Item	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Interest expenses	**346,701,260.62**	511,949,103.71
Including: Interest expenses on borrowings	**212,982,051.72**	282,837,232.50
Interest expenses on bonds payable	**94,453,612.15**	72,177,512.76
The amortization of unsettled financing expenses of freight subsidy of Coastal Expressway (Note V. 36)	**8,438,700.09**	8,124,542.76
The amortization of unsettled financing expenses of compensation of newly built toll station of Three Expressways	**11,640,000.00**	–
Compensations related to the toll adjustment of Three Expressways	**–**	136,685,400.00
Interest expense of advance payments	**16,568,626.77**	12,124,415.69
Lease interest expense	**2,618,269.89**	–
Exchange gains or losses	**1,026,295.85**	45,150,444.75
Less: Interest income	**25,312,079.67**	32,428,489.99
Less: Interest capitalized	**59,212,183.18**	29,710,653.40
Others	**6,102,107.78**	5,588,376.72
Total	**269,305,401.40**	500,548,781.79

In the current period, the Group's borrowing interest capitalization amount has been included in inventories and intangible assets. Please refer to Note V.6(2) and Note V.18(e) for the relevant information.

The details of the interest income are listed as follows:

Item	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Cash and cash equivalents	**24,716,645.10**	13,250,220.96
Long-term receivables	**–**	2,230,135.85
Other receivables	**595,434.57**	16,948,133.18
Total	**25,312,079.67**	32,428,489.99

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47. Other income

Item	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Government grants related to daily activities	**134,956.46**	57,763.72
Additional deduction of VAT	**38,125.49**	–
Total	**173,081.95**	57,763.72

Government grants related to daily activities are as follows:

Item	For the six months ended 30 June 2019	For the six months ended 30 June 2018	Asset/profit related
Government grants related to deferred income (Note V.35)	**134,956.46**	57,763.72	Asset related

48. Investment income

Item	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Investment income from long-term equity investments in associates under the equity method (Note V.13)	**300,390,369.73**	285,283,369.01
Investment income from disposal of subsidiaries	**267,175,591.34**	–
Investment income from other non-current financial assets	**28,080,000.00**	–
Investment income from financial products	**1,445,321.53**	3,328,767.12
Total	**597,091,282.60**	288,612,136.13

49. Gains or losses from changes in fair value

Item	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Transactional financial liabilities	**24,199,493.00**	10,165,724.90
Including: derivative financial instruments (Note V. 2)	**14,859,473.00**	10,165,724.90
Including: financial assets measured at fair value through profit or loss (Note V. 12)	**9,340,020.00**	–
Total	**24,199,493.00**	10,165,724.90

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For the six months ended 30 June 2019
(RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50. Gains or losses on disposal of assets

Item	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Compensation for land expropriation loss of Meiguan Expressway	–	174,725,745.00
Disposal of the right of using the land of Meiguan	–	7,620,000.00
Disposal income of fixed assets	**900.70**	-480,700.66
Total	**900.70**	181,865,044.34

51. Non-operating income

Item	For the six months ended 30 June 2019	For the six months ended 30 June 2018	Amount recorded as non-recurring profit or loss for the six months ended 30 June 2019
Government grants unrelated to daily activities (a)	**1,721,494.44**	5,617,002.44	1,721,494.44
Others	**374,597.64**	2,104,490.77	374,597.64
Total	**2,096,092.08**	7,721,493.21	2,096,092.08

(a) Government grants unrelated to daily activities are as follows:

Item	For the six months ended 30 June 2019	For the six months ended 30 June 2018	Asset/profit related
Government incentives (i)	**348,000.00**	4,243,508.00	Profit related
Government grants related to deferred income (ii)	**1,373,494.44**	1,373,494.44	Asset related
Total	**1,721,494.44**	5,617,002.44	/

(i) In May 2019, Shenchang Company received Industry support funds of RMB248,000.00 from the government in Kaifu District Changsha. In June 2019, Nanjing Wind Power Technology Co., Ltd. received industrial and informational special funds of RMB100,000.00 from Nanjing municipal government.

(ii) In 2010, 2011 and 2014, Qinglong Company received the compensation for land expropriation from Longgang district of Shenzhen respectively, and the deferred amortization income of RMB1,373,494.44 was included in the non-operating income for the reporting period.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

52. Non-operating expenses

Item	**For the six months ended 30 June 2019**	For the six months ended 30 June 2018	Amount recognized in non-recurring profit or loss for the six months ended 30 June 2019
The loss on damage or scrap of non-current assets	**1,054,301.67**	268,828.58	1,054,301.67
Donation	**–**	61,400.00	–
Others	**706,235.68**	539,422.10	706,235.68
Total	**1,760,537.35**	869,650.68	1,760,537.35

53. Income tax expenses

(1) Classification of income tax expense

Item	**For the six months ended 30 June 2019**	For the six months ended 30 June 2018
Income tax expense	**377,568,991.03**	265,190,604.92
Deferred income tax	**-567,776,181.73**	2,557,221.16
Total	**-190,207,190.70**	267,747,826.08

(2) Income tax expense reconciliation from profit before tax

Item	**For the six months ended 30 June 2019**	For the six months ended 30 June 2018
Profit before tax	**1,517,519,673.73**	1,308,178,868.29
Income tax expenses calculated at the applicable tax rate	**379,732,791.94**	327,044,717.07
Effect of different tax rates applicable to certain subsidiaries	**1,072,873.35**	–
Income not subject to tax	**-82,460,966.05**	-72,755,486.61
Unrecognized tax losses in the current period	**9,054,645.74**	6,582,071.84
Use of unrecognized tax losses in previous periods	**-521,591,696.04**	-48,821.72
Adjustment of income tax in previous periods	**22,168,980.25**	5,910,670.57
Expenses not deductible for tax purposes	**1,816,180.11**	1,014,674.93
Income tax expense calculated based on the effective tax rate of the Group	**-190,207,190.70**	267,747,826.08

Notes to Financial Statements

For the six months ended 30 June 2019
(RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

54. Notes to the consolidated statement of cash flows

(1) Cash received relating to other operating activities

Item	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Others	35,397,380.93	18,671,852.17
Total	35,397,380.93	18,671,852.17

(2) Cash paid relating to other operating activities

Item	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Payment for further development of land	63,490,930.00	109,100,286.37
Management expenses	36,283,994.40	64,327,964.65
Cash advanced to Longli BT Project	27,563,465.80	3,268,840.00
Audit, valuation, legal and advisory fees paid	13,921,225.40	6,894,523.69
Expenses paid to stock exchanges	4,708,838.53	2,587,129.01
Other operating expenses paid	39,348,988.47	37,383,677.38
Total	185,317,442.60	223,562,421.10

(3) Cash received from disposal of subsidiaries and other business units

Item	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Cash received for the Land equity transfer of Shenzhen United Property Right Exchange Co.,Ltd.	567,000,000.00	–
Total	567,000,000.00	–

(4) Cash received relating to other investment activities

Item	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Maturity redemption of financial products	300,000,000.00	300,000,000.00
Interest income received	23,977,309.67	8,777,400.65
Interest of capital reduced in Shenzhen International Land Co., Ltd.	20,742,909.45	–
Received penalty for the deferred payment of the equity purchase	20,412,000.00	–
Fund for equity bid intention	–	20,000,000.00
Total	365,132,219.12	328,777,400.65

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

54. Notes to the consolidated statement of cash flows (continued)

(5) Cash paid relating to the acquisition of subsidiaries and other business units

Item	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Net cash payment for the acquisition of Nanjing wind power	**207,631,327.78**	–
Total	**207,631,327.78**	–

(6) Cash paid relating to other investment activities

Item	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Purchased financial products	**100,000,000.00**	300,000,000.00
Refund of equity bidding deposit	**20,000,000.00**	–
Payment of tax fees related to the disposal of the Three expressway	**929,834,118.97**	–
Others	**–**	230,652.81
Total	**1,049,834,118.97**	300,230,652.81

(7) Cash received relating to other financing activities

Item	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Loans received from the United Land Company	**277,830,000.00**	–
Total	**277,830,000.00**	–

(8) Cash paid relating to other financing activities

Item	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Return borrowings to minority shareholders	**10,541,726.03**	22,253,619.89
Deposit for foreign exchange swap	**–**	8,000,000.00
Commission fee for issuing shares and bonds	**–**	230,000.00
Others	**5,880,889.13**	124,215.92
Total	**16,422,615.16**	30,607,835.81

Notes to Financial Statements

For the six months ended 30 June 2019
(RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

55. Assets with ownership or use right restricted

Item	For the six months ended 30 June 2019	For the six months ended 31 December 2018	Reason for restriction
Operating right of Qinglian Expressway	**6,591,298,309.33**	6,748,322,028.50	Note 1
Operating right of Yichang Expressway	–	288,955,238.73	Note 2
Operating right of Outer Ring Expressway	**2,614,132,721.27**	1,947,057,863.50	Note 3
Operating right of Coastal Expressway	**6,093,273,342.94**	6,173,378,443.67	Note 4
The equity interest in Meiguan Company	**544,767,193.66**	523,973,642.55	Note 5
45% share in JEL company	–	275,862,743.30	Note 6
Cash at banks and on hand	**1,942,015,574.67**	1,645,847,754.50	Note 7
Total	**17,785,487,141.87**	17,603,397,714.75	/

Note 1: On 30 June 2019, the operation right of Qinglian Expressway with a net carrying amount of RMB6,591,298,309.33 (31 December 2018: RMB6,748,322,028.50) was pledged to secure long-term bank loans granted to the Group. Term of the pledged will be ended on 21 June 2024.

Note 2: The operation right of Yichang Expressway was pledged by the wholly-owned subsidiary Yichang Company to secure bank loans and the proportion of the operation right pledged was estimated according to the loan quota granted by each bank. On 30 June 2019, the balance of loans amounted to RMB4,400,000.00 and the proportion of pledge right is 10%. The loan was paid off on 18 January 2019 and the pledge was relieved.

Note 3: On 30 June 2019, the operation right of Outer Ring Expressway with a net carrying amount of RMB2,614,132,721.27 (31 December 2018: RMB1,947,057,863.50) was pledged to secure long-term bank loans granted to the Group. Term of the pledge will be ended on 14 March 2042.

Note 4: On 30 June 2019, the operation right of Coastal Expressway with a net carrying amount of RMB6,093,273,342.94 (31 December 2018: RMB6,173,378,443.67) was pledged to secure long-term bank loans granted to the Group. Term of the pledge will be ended on 9 November 2033.

Note 5: On 30 June 2019, the 100% equity of Meiguan Company with a net carrying amount of RMB544,767,193.66 (31 December 2018: RMB523,973,642.55) was pledged to secure long-term bonds granted to the Group. Term of the pledge will be ended on 31 July 2022.

Note 6: The 45% equity of JEL Company was pledged to secure short-term bank loan granted to the Group. Term of the pledge was ended on 6 April 2019. As at 30 June 2019, the loan was paid off and the pledge was relieved.

Note 7: On 30 June 2019, cash and cash equivalents with a net carrying amount of RMB1,942,015,574.67 (31 December 2018: RMB1,645,847,754.50) were restricted project funds retained for construction management, bank acceptance deposit and regulated equity purchase. Please refer to Note V.1.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

56. Supplementary information to the consolidated statement of cash flows

(1) Supplementary information to the consolidated statement of cash flows

Supplementary information	For the six months ended 30 June 2019	For the six months ended 30 June 2018
1. Reconciliation from net profit to cash flows from operating activities:		
Net profit	**1,707,726,864.43**	1,040,431,042.21
Depreciation of fixed assets	**66,918,194.30**	82,404,383.46
Amortisation of use rights	**14,465,652.73**	–
Amortisation of investment properties	**287,971.20**	287,870.20
Amortisation of intangible assets	**669,169,799.52**	752,824,650.61
Amortisation of long-term prepaid expenses	**1,502,929.80**	788,688.52
Net losses on disposal of fixed, intangible, and other long-term assets	**-900.70**	-181,865,044.34
Loss on non-current asset scrap (profit is listed with "-")	**1,054,301.67**	–
Loss on change in fair value (profit is listed with "-")	**-24,199,493.00**	-10,165,724.90
Financial expenses	**269,305,401.40**	494,960,405.07
Investment income	**-597,091,282.60**	-288,612,136.13
Expected credit loss (reverse is listed with "-")	**90,000.00**	14,115.84
Decrease in deferred income tax assets	**-504,024,223.39**	31,840,956.63
Decrease in deferred income tax liabilities	**-49,763,750.78**	-29,283,735.47
Increase in inventories (increase is listed with "-")	**69,488,012.73**	-296,947,409.13
Decrease in operating receivables (increase is listed with "-")	**-447,344,119.28**	227,464,639.49
Decrease in operating payables	**-391,123,934.09**	-228,996,716.20
Net cash flows from operating activities	**786,461,423.94**	1,595,145,985.86

Supplementary information	For the six months ended 30 June 2019	For the six months ended 30 June 2018
2. Net change in cash		
Cash at the end of the period	**2,754,526,997.49**	2,146,917,760.01
Less: cash at the beginning of the period	**2,580,843,329.57**	1,884,570,222.49
Net increase in cash	**173,683,667.92**	262,347,537.52

Notes to Financial Statements

For the six months ended 30 June 2019
(RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

56. Supplementary information to the consolidated statement of cash flows (continued)

(2) Cash and cash equivalents

Item	30 June 2019	31 December 2018
Cash		
Including: Cash on hand	**11,001,079.48**	10,969,104.99
Cash at banks	**2,743,525,918.01**	2,569,874,224.58
Cash at the end of the period	**2,754,526,997.49**	2,580,843,329.57
Including: Restricted cash held by the Company and group companies (Note V.1)	**1,942,015,574.67**	1,645,847,754.50
Total cash at banks and on hand	**4,696,542,572.16**	4,226,691,084.07

(3) Cash flow information related to the lease

	For the six months ended 30 June 2019
Cash outflow relate to the lease	**15,524,781.21**

57. Monetary items denominated in foreign currency

(1) Monetary items denominated in foreign currency

Item	30 June 2019			31 December 2018		
	Original amount	Exchange rate	Equivalent to RMB	Original amount	Exchange rate	Equivalent to RMB
Monetary capital						
HKD	**7,355,062.92**	**0.8797**	**6,470,248.85**	3,862,558.29	0.8762	3,384,373.58
USD	**2,242.20**	**6.8747**	**15,414.46**	2,241.68	6.8632	15,385.09
EUR	**12.00**	**7.8170**	**93.80**	1.53	7.8473	12.00
FRF	**11.70**	**7.0388**	**82.35**	11.70	6.9494	81.31
PTAS	**446.15**	**0.0468**	**20.88**	445.96	0.0468	20.88
JPY	**379.94**	**0.0638**	**24.24**	380.05	0.0619	23.52
Other receivables						
HKD	**1,289,013.80**	**0.8797**	**1,133,945.44**	1,239,014.15	0.8762	1,085,624.20
Short-term borrowings						
HKD	**–**	**0.8797**	**–**	134,016,000.00	0.8762	117,424,819.20
Employee benefits payable						
HKD	**132,892.78**	**0.8797**	**116,905.78**	545,196.50	0.8762	477,701.17
Other payables						
HKD	**–**	**0.8797**	**–**	402,486.34	0.8762	352,658.53
USD	**3,905,208.33**	**6.8747**	**26,847,135.71**	3,905,208.33	6.8632	26,802,225.81
Bonds payable						
USD	**297,890,275.99**	**6.8747**	**2,047,906,280.33**	297,374,692.88	6.8632	2,040,941,992.20
Leases payable						
HKD	**8,362,836.03**	**0.8797**	**7,356,786.86**	–	0.8762	–

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

58. 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	**For the six months ended 30 June 2019**	For the six months ended 30 June 2018
Consolidated net profit attributable to ordinary shareholders of the Company	**1,576,824,356.13**	968,653,293.65
Weighted average number of ordinary shares outstanding	**2,180,770,326.00**	2,180,770,326.00
Basic earnings per share	**0.723**	0.444
Including: Basic earnings per share from continuing operations	**0.723**	0.444

(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 30 June 2019, diluted earnings per share was equal to basic earnings per share.

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VI. CHANGE IN CONSOLIDATION

1. Business combination not under common control

(1) Business combination not under common control in the period

Purchased company	Share acquisition time	Cost of acquisition	Shareholding percentage (%)	Obtaining method	Obtaining Date	Obtaining date determination
Nanjing Wind Power and its subsidiaries	8 April 2019	510,000,000.00	51%	(a)	8 April 2019	Equity transfer procedures completed

(a) On 15 March 2019, Environmental Company(a subsidiary of the Company) and Nanjing Abexin Investment Management Co.,Ltd., Jiangyin Construction Engineering Group Co.,Ltd., Pan Aihua, Wang Anzheng, and the others. (original shareholder of Nanjing Wind Power), entered into an Acquisition Agreement to acquire 30% equity interest in Nanjing Wind Power at the consideration of RMB210,000,000.00, and make a one-way contribution of RMB300,000,000.00 into Nanjing Wind Power after completion of the acquisition. Upon completion of acquisition and capital increase procedures, Environmental Company shall hold 51% equity interest in Nanjing Wind Power. The equity acquisition was completed on 8 April 2019.

Identifiable assets and liabilities of Nanjing Wind Power and its subsidiaries acquired on the obtaining date are listed below:

Item	8 April 2019 Fair value	8 April 2019 Book value
Assets:	**1,019,299,950.96**	**946,989,250.96**
Cash at banks and on hand	302,368,672.22	302,368,672.22
Bills receivable	700,000.00	700,000.00
Accounts receivable	114,412,278.84	114,412,278.84
Advances	14,331,951.66	14,331,951.66
Other receivable	307,911,179.45	307,911,179.45
Inventories	44,876,144.85	44,876,144.85
Contract assets	134,665,850.00	134,665,850.00
Other current assets	13,396,234.65	13,396,234.65
Fixed assets	3,633,298.65	3,633,298.65
Intangible assets	82,461,606.14	10,150,906.14
Long-term prepaid expenses	542,734.50	542,734.50

VI. CHANGE IN CONSOLIDATION (CONTINUED)

1. Business combination not under common control (continued)

(1) Business combination not under common control in the period (continued)

Item	8 April 2019 Fair value	8 April 2019 Book value
Liabilities:	325,260,294.57	314,413,689.57
Bills payable	12,164,846.53	12,164,846.53
Accounts payable	173,134,220.03	173,134,220.03
Contract liabilities	3,278,940.00	3,278,940.00
Employee benefits payable	282,252.37	282,252.37
Other payables	117,383,921.56	117,383,921.56
Provision	8,169,509.08	8,169,509.08
Deferred tax liabilities	10,846,605.00	–
Net assets	694,039,656.39	632,575,561.39
Less: Minority interests	340,079,431.63	309,962,025.08
Acquired net assets	353,960,224.76	322,613,536.31
Goodwill acquired through purchased	156,039,775.24	/
Considerations	510,000,000.00	/

Method of recognizing the fair values of identifiable assets and liabilities:

The Company used valuation techniques to determine the fair values of assets and liabilities on the acquisition date at a discount rate of 15%.

Reasons for the formation of large amounts of goodwill:

Established in Nanjing, Jiangsu Province in 2011, Nanjing Wind Power is a high-tech enterprise specializing in renewable, new energy wind power generation. The company's main business is the development, integration, manufacturing, installation, sales and maintenance of wind power systems. Investment operations of wind farms. Nanjing wind power has independent research and development capabilities. It has the experience and capability of wind farm development, construction and operation management. The company's business development has a good market prospect. Clean energy is an emerging field in the environmental protection industry and it is the development direction of new industries identified in the Group's development strategy. After obtaining the controlling interest of Nanjing Wind Power, the Group can take advantage of Nanjing Wind Power itself to quickly enter the new energy sector, optimize the Group's industrial structure and enhance the Group's sustainable development market competitiveness.

Operating results and cash flows of Nanjing Wind Power and its subsidiaries from the date of acquisition to the end of the period are listed below:

Item	From 9 April to 30 June 2019
Revenue	–
Net loss	11,806,666.48
Net cash flow	-56,663,503.99

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VI. CHANGE IN CONSOLIDATION (CONTINUED)

2. Disposal of subsidiaries

	Place of registration	Nature of business and principal activities	Proportion of equity attributable to the Group	Proportion of voting right attributable to the Group	Reason for deconsolidation
Guizhou Shengbo Land Company ("Guizhou Shengbo")	Longli County, Guizhou Province, PRC	Infrastructure construction	70%	70%	Note (a)
Hengfengxin Property Company Limited ("Guizhou Hengfengxin")	Longli County, Guizhou Province, PRC	Infrastructure construction	70%	70%	Note (a)
Henghongda Property Company Limited ("Guizhou Henghongda")	Longli County, Guizhou Province, PRC	Infrastructure construction	70%	70%	Note (a)
Guizhou Yehengda Company ("Guizhou Yehengda")	Longli County, Guizhou Province, PRC	Infrastructure construction	70%	70%	Note (a)

Note (a): On 23 January 2019, Guizhou Guishen Investment Development Company Limited ("Guishen Company") and Guizhou Shenzhen Expressway Land Company Limited ("Guizhou Land Company") signed an equity and obligation transfer agreement with Guizhou Xinhe Lifu Real Estate Development Company Limited ("Xinhe Lifu Company") to sell 100% equity and obligation of Guizhou Shengbo, Guizhou Hengfengxin, Guizhou Henghongda and Guizhou Yeheng with a consideration of RMB567,000,000.00. The transaction has been completed on 20 May 2019. Guishen Company and Guizhou Land Company paid the property transaction service fee including tax price of RMB651,500.00. Therefore, since 20 May 2019, the Group has no longer included these Company in the scope of consolidation. The relevant financial information of these companies is consolidated as follows:

Item	20 May 2019 Book value	31 December 2018 Book value
Cash and cash equivalents	–	4,868,719.65
Inventories	**299,209,786.02**	296,640,634.06
Other payables	**295,269,119.56**	297,571,327.26
Net assets	**3,940,666.46**	3,938,026.45
Non-controlling interests (30%)	**1,182,199.94**	1,181,407.94
Net assets attributable to the Group	**2,758,466.52**	2,756,618.51
Losses on disposal	**267,175,591.34**	/
Attributable to the Group	**187,022,913.94**	/
Attributable to minority shareholders	**80,152,677.40**	/
Disposal consideration	**566,385,377.36**	/
Assignment of creditor's rights	**295,269,119.56**	/
Assignment of equity interest	**271,116,257.80**	/

Item	From 1 January to 20 May 2019
Revenue	–
costs	–
Net profits	**2,640.01**

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 (%)		Acquired through
					Direct	Indirect	
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")	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
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
Environmental 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
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

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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	Equity interest (%) Indirect	Acquired through
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. ("Operation Development Company")	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	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	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
Shenzhen Expressway Construction Development Company Limited ("Construction and Development Company")	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Infrastructure construction	RMB30,000,000.00	95%	5%	Incorporation
Shenzhen Expressway Infrastructure and Environmental Protection Development Co., Ltd. ("Shenshan Company")	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Environment protection construction	RMB500,000,000.00	51%	49%	Incorporation
Shenzhen Expressway (Guangzhou) Industrial Investment Fund Management Co., Ltd("Fund Management Company")	Guangzhou City, Guangdong Province, PRC	Guangzhou City, Guangdong Province, PRC	Capital market services	RMB10,000,000.00	95%	5%	Incorporation
Coastal Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	RMB4,600,000,000.00	100%	–	Business combinations involving enterprises under common control
Guizhou Shenzhen Expressway Investment Land Company ("Guishen Expressway Investment")	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	RMB1,000,000.00	–	70%	Incorporation

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
Shenzhen Expressway Yijia Apartment Management Limited Company ("Shenzhen Expressway Yijia")	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Apartment rental and management	RMB10,000,000.00	–	60%	Incorporation
Guizhou Yefengrui Land Limited Company ("Yefengrui Land")	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Land development	RMB1,000,000.00	–	70%	Incorporation
Shenzhen Expressway SUEZ Environment Limited Company ("SUEZ Environment")	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Environmental technique development consultation	RMB10,000,000.00	–	51%	Incorporation
Nanjing Wind Power	Nanjing City, Jiangsu Province, PRC	Nanjing City, Jiangsu Province, PRC	Manufacturing	RMB357,142,900.00	–	51%	Business combinations not under common control
Wulahouqi Ningfeng Wind Power Technology	Wulahouqi City, Inner Mongolia Province, PRC	Wulahouqi City, Inner Mongolia Province, PRC	Manufacturing	RMB1,000,000.00	–	51%	Business combinations not under common control
Chifeng NanjingNingfeng Technology	Ongniud Bannar, Chifeng City, Inner Mongolia Province, PRC	Ongniud Bannar, Chifeng City, Inner Mongolia Province, PRC	Manufacturing	RMB2,000,000.00	–	51%	Business combinations not under common control
Baotou Jinling Wind Power Technology	Baotou City, Inner Mongolia Province, PRC	Baotou City, Inner Mongolia Province, PRC	Manufacturing	RMB20,000,000.00	–	51%	Business combinations not under common control
Xuanwei Nanfeng New Energy	Xuanwei City, Yunnan Province, PRC	Xuanwei City, Yunnan Province, PRC	Manufacturing	RMB3,000,000.00	–	51%	Business combinations not under common control

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(RMB)

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (continued)

(2) Significant partly-owned subsidiaries

For the six months ended 30 June 2019

Name of subsidiaries	Equity interest held by minority shareholders	Net profit attributable to minority shareholders	Dividend declared by subsidiaries to the minority shareholders	Shareholder investment withdrawn	New business combination	Minority interests
Qinglian Company	23.63%	19,542,950.07	–	–	–	669,705,513.11
Guishen Company	30.00%	76,939,221.54	–	–	–	328,924,056.69
Qinglong Company	50.00%	24,077,492.98	-50,000,000.00	–	–	1,071,679,479.34
Shenchang Company	49.00%	19,127,978.44	–	-10,541,726.02	–	159,307,448.13
Nanjing Wind Power	49.00%	-5,785,266.58	–	–	340,079,431.63	334,294,165.05
Total	/	133,902,376.45	-50,000,000.00	-10,541,726.02	340,079,431.63	2,563,910,662.32

2018

Name of subsidiaries	Equity interest held by minority shareholders	Net profit attributable to minority shareholders	Dividend declared by subsidiaries to the minority shareholders	Shareholder investment withdrawn	New business combination	Minority interests
Qinglian Company	23.63%	26,482,934.01	–	–	–	650,162,563.04
Guishen Company	30.00%	29,388,054.16	-1,494,904.48	–	–	251,984,835.15
Qinglong Company	50.00%	49,890,350.36	–	-92,186,499.92	–	1,097,601,986.36
Shenchang Company	49.00%	34,727,432.81	–	–	-52,823,756.08	150,721,195.71
Total	/	140,488,771.34	-1,494,904.48	-92,186,499.92	-52,823,756.08	2,150,470,580.26

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

	30 June 2019					
Name of subsidiaries	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Qinglian Company	99,082,015.34	6,792,173,638.17	6,891,255,653.51	223,663,664.89	3,836,520,298.35	4,060,183,963.24
Guishen Company	1,980,374,776.30	50,514,790.60	2,030,889,566.90	934,476,044.69	–	934,476,044.69
Qinglong Company	67,662,210.84	3,355,753,668.83	3,423,415,879.67	126,807,780.50	1,153,249,140.48	1,280,056,920.98
Shenchang Company	65,679,343.05	289,124,451.27	354,803,794.32	29,755,730.52	107,761.58	29,863,492.10
Nanjing Wind Power	1,084,584,342.09	84,340,226.80	1,168,924,568.89	467,834,130.03	18,857,448.95	486,691,578.98

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (continued)

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

	31 December 2018					
Name of subsidiaries	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Qinglian Company	93,322,579.79	6,978,215,443.47	7,071,538,023.26	258,053,857.66	4,065,116,453.64	4,323,170,311.30
Guishen Company	1,874,469,325.70	53,138,767.22	1,927,608,092.92	1,087,658,642.52	–	1,087,658,642.52
Qinglong Company	117,154,434.51	3,527,256,810.02	3,644,411,244.53	266,045,115.23	1,183,162,156.57	1,449,207,271.80
Shenchang Company	43,631,081.10	300,557,640.04	344,188,721.14	36,771,383.02	–	36,771,383.02

	For the six months ended 30 June 2019			
Name of subsidiaries	Revenue	Net profit	Total comprehensive income	Net cash flows from operating activities
Qinglian Company	424,885,738.80	82,703,978.31	82,703,978.31	320,964,288.17
Guishen Company	338,958,421.19	256,464,071.81	256,464,071.81	-138,347,077.29
Qinglong Company	310,393,649.27	48,154,985.96	48,154,985.96	144,880,584.61
Shenchang Company	77,435,724.86	39,036,690.69	39,036,690.69	45,145,624.56
Nanjing Wind Power (a)	–	-11,806,666.48	-11,806,666.48	-56,649,257.11

	For the six months ended 30 June 2018			
Name of subsidiaries	Revenue	Net profit	Total comprehensive income	Net cash flows from operating activities
Qinglian Company	390,087,893.12	69,257,117.68	69,257,117.68	305,065,198.31
Guishen Company	115,159,173.53	22,435,828.89	22,435,828.89	141,779,001.10
Qinglong Company	313,481,396.31	61,241,221.87	61,241,221.87	191,391,122.50
Shenchang Company	70,266,315.02	36,859,044.99	36,859,044.99	44,243,688.87

(a) As Nanjing Wind Power became the Company's subsidiary on 8 April 2019, the financial information only includes the data from 9 April 2019 to 30 June 2019.

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

As at 30 June 2019, there was no substantial restriction which prohibited the usage of assets or the settlement of liabilities of the Group (31 December 2018: Nil).

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(RMB)

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in associates

Particulars of the Company's associates are as follows:

					Percentage of shares held by the Company (%)		
	Place of incorporation	Place of registration	Principal activities	Issued capital	Direct	Indirect	Accounting method
Consulting Company	Shenzhen City, Guangdong Province, China	Shenzhen City, Guangdong Province, China	Engineering consulting service	RMB18,750,000.00	24	–	Equity method
Huayu Company	Shenzhen City, Guangdong Province, China	Shenzhen City, Guangdong Province, China	Toll road operation	RMB150,000,000.00	40	–	Equity method
Jiangzhong Company	Guangzhou City, Guangdong Province, China	Guangzhou City, Guangdong Province, China	Toll road operation	RMB1,110,000,000.00	25	–	Equity method
Nanjing Third Bridge Company	Nanjing City, Jiangsu Province, China	Nanjing City, Jiangsu Province, China	Toll road operation	RMB1,080,000,000.00	25	–	Equity method
Yangmao Company	Guangzhou City, Guangdong Province, China	Guangzhou City, Guangdong Province, China	Toll road operation	RMB200,000,000.00	25	–	Equity method
GZ W2 Company	Guangzhou City, Guangdong Province, China	Guangzhou City, Guangdong Province, China	Toll road operation	RMB1,000,000,000.00	25	–	Equity method
Guangyun Company	Yunfu City, Guangdong Province, China	Yunfu City, Guangdong Province, China	Toll road operation	RMB10,000,000.00	30	–	Equity method
Guizhou Hengtongli	Longli County, Guizhou Province, China	Longli County, Guizhou Province, China	Real estate development	RMB52,229,945.55	–	49	Equity method
United Land	Shenzhen City, Guangdong Province, China	Shenzhen City, Guangdong Province, China	Real estate development	RMB714,285,714.29	34.30	–	Equity method
Bank of Guizhou	Guiyang City, Guizhou Province, China	Guiyang City, Guizhou Province, China	Financial service	RMB12,388,046,744.00	3.44	–	Equity method
Derun Environment	Chongqing City, China	Chongqing City, China	Environment improvement and resources recovery	RMB1,000,000,000.00	–	20	Equity method

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in associates (continued)

(1) Financial information of a material associate

The material associate, Derun Environment, which 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:

Item	**31 June 2019**	31 December 2018
Current assets	**8,958,650,969.28**	9,242,290,347.80
Non-current assets	**26,537,315,650.34**	23,770,923,185.35
Total assets	**35,495,966,619.62**	33,013,213,533.15
Current liabilities	**7,398,750,762.45**	6,615,202,263.71
Non-current liabilities	**7,440,048,892.54**	6,691,348,460.44
Total liabilities	**14,838,799,654.99**	13,306,550,724.15
Non-controlling interest	**9,221,330,399.46**	9,081,990,816.99
Equity attributable to owners of the parent	**11,435,836,565.17**	10,624,671,992.01
Net assets shared by proportion of equity holding	**2,287,167,313.03**	2,124,934,398.40
Adjustment items	**2,226,774,017.46**	2,286,638,704.16
Goodwill	**1,462,953,999.22**	1,462,953,999.22
Premium of appraisal on non-current assets	**763,820,018.24**	840,014,704.94
Differences of accounting policies	**–**	-16,330,000.00
Book value of the equity investment	**4,513,941,330.49**	4,411,573,102.56

Item	**For the six months ended 30 June 2019**	For the six months ended 30 June 2018
Revenue	**4,540,495,073.46**	3,800,808,031.82
Income tax expense	**109,388,495.35**	94,214,243.20
Net profit/(loss)	**1,130,974,236.17**	1,100,506,873.86
Net profit/(loss) attributable to owners of the parent (Note 1)	**570,879,399.39**	567,637,617.70
Other comprehensive income	**13,766,354.03**	-6,097,732.74
Post-tax other comprehensive income attributable to owners of the parent	**6,888,339.40**	-3,051,153.02
Total comprehensive income	**1,144,740,590.20**	1,094,409,141.12

Note 1: The Group shares the net profit attributable to shareholders of the parent company of Derun Environment in the proportion of 20%, and after deducting amortization of premiums for the current period, the Group recognizes the investment income of RMB97,105,102.35 for Derun Environment. See details in Note V.13.

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(RMB)

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in associates (continued)

(2) Main financial information of joint ventures and associates that are not material

Item	As at and for the period ended 30 June 2019/For the six months ended 30 June 2019	As at and for the period ended 30 June 2018/ For the six months ended 30 June 2018
Associates:		
Total book value of investment	**3,543,265,424.68**	3,447,535,395.06
Sub-total amount of the following items calculated in the Group's equity proportion in associates:		
– Net profit	**203,285,267.38**	192,837,072.75
– Other comprehensive income	**-597,743.96**	356,339.79
– Total comprehensive income	**202,687,523.42**	193,193,412.54
Movement of capital reserve	**–**	7,415,304.35

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 (for the same period in 2018: the same) as the investment income/(loss) from individual joint ventures or associates did not exceed 10% of 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 assets of the Group at 30 June 2019.

(3) Explanation to substantial restriction on transferring funds between the Group and the joint ventures and associates

As at 30 June 2019, there was no substantial restriction on transferring funds between the Group and the joint ventures and associates (31 December 2018: Nil).

VIII. FINANCIAL INSTRUMENTS AND RISK

1. Financial instruments by category

The carrying amounts of each category of financial instruments as at the date of financial position are as follows:

30 June 2019

Financial assets

Item	Financial assets at fair value through profit or loss		Measured at amortized cost	Total
	Required by standard	Appointed		
Cash	–	–	4,696,542,572.16	4,696,542,572.16
Transactional financial liabilities	59,962,667.00	–	–	59,962,667.00
Bills receivable	–	–	495,000.00	495,000.00
Accounts receivable	–	–	313,778,392.77	313,778,392.77
Other receivables	–	–	401,918,676.22	401,918,676.22
Contract assets	–	–	349,016,709.70	349,016,709.70
Current portion of non-current assets	–	–	22,548,751.19	22,548,751.19
Long-term receivables	–	–	169,015,805.46	169,015,805.46
Other non-current financial assets	–	189,778,840.00	–	189,778,840.00

Financial liabilities

Item	Measured at amortized cost	Total
Short-term borrowings	483,676,381.63	483,676,381.63
Bills payable	60,738,745.00	60,738,745.00
Accounts payable	792,790,244.11	792,790,244.11
Other payables	3,544,741,443.23	3,544,741,443.23
Current portion of non-current liabilities	280,078,296.41	280,078,296.41
Long-term borrowings	8,478,813,661.34	8,478,813,661.34
Bonds payable	4,641,115,751.68	4,641,115,751.68
Lease liabilities	148,980,745.85	148,980,745.85

Notes to Financial Statements

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VIII. FINANCIAL INSTRUMENTS AND RISK (CONTINUED)

1. Financial instruments by category (continued)

The carrying values of various financial instruments on the end of reporting period. are as follows:

31 December 2018

Financial assets

	Financial assets at fair value through profit or loss			
Item	Required by standard	Appointed	Measured at amortized cost	Total
Cash	–	–	4,226,691,084.07	4,226,691,084.07
Transactional financial liabilities	45,103,194.00	–	–	45,103,194.00
Accounts receivable	–	–	174,639,116.34	174,639,116.34
Other receivables	–	–	1,580,256,204.51	1,580,256,204.51
Contract assets	–	–	166,842,230.65	166,842,230.65
Current portion of non-current assets	–	–	22,548,751.19	22,548,751.19
Long-term receivables	–	–	160,973,492.73	160,973,492.73
Other non-current financial assets	–	180,438,820.00	–	180,438,820.00

Financial liabilities

Item	Measured at amortized cost	Total
Short-term borrowings	117,424,819.20	117,424,819.20
Accounts payable	714,905,820.77	714,905,820.77
Other payables	2,396,828,896.75	2,396,828,896.75
Current portion of non-current liabilities	379,135,997.24	379,135,997.24
Long-term borrowings	8,892,735,993.43	8,892,735,993.43
Bonds payable	4,632,920,008.39	4,632,920,008.39

VIII. FINANCIAL INSTRUMENTS AND RISK (CONTINUED)

2. Risk of financial instruments

The Group is faced with risks of various financial instruments in daily activities, which mainly include credit risk, liquidity risk and market risk (including exchange rate risk and interest rate risk). The Group's risk management policy is outlined below. The main financial instruments of the Group include monetary funds, loans and receivables, financial assets/liabilities measured at fair value and their changes recorded in the current profits and losses, loans, payables and bonds payable, etc. The risks associated with these instruments and the risk management strategies adopted by the Group to mitigate these risks are described below.

The board of directors shall be responsible for planning and establishing the risk management framework of the Group, formulating the Group's risk management policies and relevant guidelines, and supervising the implementation of risk management measures. The Group has developed risk management policies to identify and analyze risks faced by the Group. These risk management policies specify specific risks and cover many aspects such as market risk, credit risk and liquidity risk management. The Group periodically evaluates changes in the market environment and the Group's business activities to determine whether to update risk management policies and systems. The risk management of the Group shall be carried out by the risk management committee in accordance with the policies approved by the board of directors. The risk management committee works closely with other business units of the group to identify, assess and mitigate risks. The internal audit department of the Group conducts regular audits on risk management control and procedures and reports the audit results to the Group's audit committee.

The Group diversifies the risk of financial instruments through appropriate diversification of investments and business portfolios, and reduces the risk of concentration in any single industry, specific region or specific counterparty by formulating appropriate risk management policies.

Credit risk

The Group deals only with recognized and reputable third parties. In accordance with the Group's policy, all customers requiring credit transactions are subject to credit audits. In addition, the Group continuously monitors the balance of accounts receivable to ensure that the Group does not face significant risk of bad debts. For transactions that are not settled in the accounting base currency of the relevant business units, the Group will not provide conditions for credit transactions unless the Group's credit control department specifically approves them.

Because the counterparty of currency funds is a bank with good reputation and a high credit rating, the credit risk of these financial instruments is low.

Other financial assets of the Group include monetary funds, creditor's rights investments and other receivables. The credit risk of these financial assets originates from the default of the counterparty. The maximum risk exposure is equal to the book value of these instruments.

Notes to Financial Statements

For the six months ended 30 June 2019
(RMB)

VIII. FINANCIAL INSTRUMENTS AND RISK (CONTINUED)

2. Risk of financial instruments (continued)

Credit risk (continued)

30 June 2019

Credit risk increases judgment criteria significantly

The Group assesses whether the credit risk of the relevant financial instruments has increased significantly since the initial confirmation at each date of the statement of financial position. In determining whether credit risk has increased significantly since the initial recognition, the Group considers that reasonable and valid information, including qualitative and quantitative analysis based on the Group's historical data, external credit risk rating and forward-looking information, can be obtained without undue cost or effort. Based on a single financial instrument or a portfolio of financial instruments with similar credit risk characteristics, the Group compares the risk of default of financial instruments on the end of reporting period with the risk of default on the initial recognition date to determine the change of default risk of financial instruments during the expected lifetime.

When triggering one or more of the following quantitative and qualitative criteria, the Group believes that the credit risk of financial instruments has increased significantly:

- Quantitative criteria are that the probability of default of the remaining duration of the reporting day rises by more than a certain proportion compared with the initial recognition.

- Qualitative criteria include major adverse changes in the debtor's business or financial situation, early warning list of customers, etc.

- The upper limit is that the debtor's contract payments (including principal and interest) are more than 30 days overdue.

Definition of assets with impaired credit

In order to determine whether credit impairment occurs, the defining criteria adopted by the Group are consistent with the internal objectives of credit risk management for the relevant financial instruments, taking into account quantitative and qualitative indicators. In assessing whether the debtor has suffered credit impairment, the Group mainly considers the following factors:

- Whether major financial difficulties occur to the issuer or debtor;

- Whether the debtor breaches the contract, such as paying interest or defaulting or overdue principal.

- Whether the creditor gives the debtor concessions in no other case for economic or contractual considerations related to the debtor's financial difficulties;

- Whether the debtor is likely to go bankrupt or undergo other financial restructuring;

- Whether the financial difficulties of the issuer or debtor lead to the disappearance of the active market of the financial assets;

- Whether to purchase and derive a financial asset at a substantial discount, which reflects the fact that credit losses occur.

The occurrence of credit impairment in financial assets may be the result of a combination of multiple events, not necessarily those that can be identified separately.

VIII. FINANCIAL INSTRUMENTS AND RISK (CONTINUED)

2. Risk of financial instruments (continued)

Credit risk (continued)

Parameters for measuring expected credit loss

Depending on whether credit risk has increased significantly and whether credit impairment has occurred, the Group measures impairment provision for different assets with the expected credit loss for 12 months or the whole life period, respectively. The key parameters of anticipated credit loss measurement include default probability, default loss rate and default risk exposure. Considering the quantitative analysis and forward-looking information of historical statistical data (such as counterparty ratings, guarantees and collateral types, repayment methods), the Group establishes a default probability, default loss rate and default risk exposure model.

The relevant definitions are as follows:

- The probability of default refers to the possibility that the debtor will not be able to fulfil its obligation to pay in the next 12 months or throughout the remaining period. The default probability of the Group is adjusted on the basis of the expected credit loss model, and forward-looking information is added to reflect the default probability of the debtor under the current macroeconomic environment.

- The default loss rate refers to the Group's expectation of the extent of loss from exposure to default risk. According to the type of counterparty, the way and priority of recourse, and the different collateral, the loss rate of breach of contract is also different. The default loss rate is the percentage of risk exposure loss at the time of default, which is calculated on the basis of the next 12 months or the whole duration.

- The default risk exposure is the amount that the Group should be repaid in the event of default in the next 12 months or throughout the remaining period.

Prospective information

The assessment of significant increases in credit risk and the calculation of expected credit losses involve forward-looking information. Through historical data analysis, the Group identifies key economic indicators that affect the credit risk and expected credit loss of various business types.

The impact of these economic indicators on default probability and default loss rate varies with different business types. In this process, the Group applies expert judgment to forecast these economic indicators quarterly based on the results of expert judgment, and through regression analysis to determine the impact of these economic indicators on default probability and default loss rate.

31 December 2018

On 31 December 2018, the maturity analysis of financial assets that did not suffer impairment or that did not suffer impairment in either individual or portfolio is as follows:

On December 31 2018, accounts receivable that were not overdue and impaired were related to a large number of decentralized customers with recent non-default records.

On December 31 2018, overdue accounts receivable without impairment were related to a large number of independent customers with good transaction records of the Group. Based on past experience, since the credit quality has not changed significantly and is still considered recoverable in full, the Group does not consider it necessary to make provision for impairment.

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For the six months ended 30 June 2019
(RMB)

VIII. FINANCIAL INSTRUMENTS AND RISK (CONTINUED)

2. Risk of financial instruments (continued)

Liquidity risk

The Group adopts a revolving liquidity plan tool to manage the risk of capital shortage. The tool takes into account both the maturity date of its financial instruments and the expected cash flow generated by the operation of the Group.

The Group's goal is to maintain a balance between the sustainability and flexibility of financing by using various means of financing, such as bank loans, bonds payable, and other interest-bearing loans. The Group's policy is that, according to the book value of the borrowings reflected in the financial statements, no more than 15% of the borrowings should be due within 12 months. On 30 June 2019, 4% of the Group's debt (31 December 2018: 6%) expired in less than one year.

Subsidiaries within the Group are responsible for their own cash flow forecasts. On the basis of summarizing the cash flow forecasts of subsidiaries, the Group continuously monitors the short-term and long-term capital needs at the group level to ensure the maintenance of adequate cash reserves and marketable securities that can be realized at any time; at the same time, it continuously monitors whether it meets the requirements of loan agreements and obtains credit lines from major financial institutions to meet the short-term and long-term capital needs. On the end of reporting period, the uncounted contract cash flows of the Group's financial liabilities are shown as follows:

The following table summarizes the maturity analysis of financial liabilities based on contractual undiscounted cash flows:

30 June 2019

Item	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
Financial liabilities-					
Short-term loans	503,237,642.72	–	–	–	503,237,642.72
Non-current liabilities due within one year	285,278,815.30	–	–	–	285,278,815.30
Long-term loans	381,371,347.18	4,606,485,207.61	2,062,133,836.13	24,749,660,184.26	31,799,650,575.18
Bonds payable	180,614,287.50	180,614,287.50	4,929,217,143.75	–	5,290,445,718.75
Lease liability	–	40,123,447.80	106,845,991.05	43,074,254.40	190,043,693.25
Total	1,350,502,092.70	4,827,222,942.91	7,098,196,970.93	24,792,734,438.66	38,068,656,445.20

VIII. FINANCIAL INSTRUMENTS AND RISK (CONTINUED)

2. Risk of financial instruments (continued)

Liquidity risk (continued)

31 December 2018

Item	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
Financial liabilities-					
Short-term loans	117,985,914.13	–	–	–	117,985,914.13
Non-current liabilities due within one year	387,351,957.99	–	–	–	387,351,957.99
Long-term loans	321,210,763.45	805,857,090.07	3,441,526,794.37	7,858,874,086.76	12,427,468,734.65
Bonds payable	178,137,283.67	179,623,657.42	4,814,757,240.86	–	5,172,518,181.95
Total	1,004,685,919.24	985,480,747.50	8,256,284,035.23	7,858,874,086.76	18,105,324,788.72

In view of the stable and abundant operating cash flows, sufficient credit lines and appropriate financing arrangements to meet debt repayment and capital expenditure, the management of the Group believes that there is no significant liquidity risk in the Group.

Market risk

Interest rate risk

The Group's exposure to the risk of changes in market interest rates primarily relates to the Group's long-term borrowing with floating interest rates.

The table below demonstrates the sensitivity analysis of the impact (of floating rate borrowings) on the net profit when reasonable and possible fluctuations of interest rate occurred, under the assumption that other variables were held constant.

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For the six months ended 30 June 2019
(RMB)

VIII. FINANCIAL INSTRUMENTS AND RISK (CONTINUED)

2. Risk of financial instruments (continued)

Market risk (continued)

Interest rate risk (continued)

30 June 2019

Item	Increase/(Decrease is shown with "-") in basis points	Increase/(Decrease is shown with "-") in net profit	Total increase/(Decrease is shown with "-") in equity
RMB	**50/-50**	**-21,010,317.88/21,010,317.88**	**-21,010,317.88/21,010,317.88**

31 December 2018

Item	Increase/(Decrease is shown with "-") in basis points	Increase/(Decrease is shown with "-") in net profit	Total increase/(Decrease is shown with "-") in equity
RMB	50/-50	-37,951,916.63/37,951,916.63	-37,951,916.63/37,951,916.63

Foreign exchange risk

The following table provides a sensitivity analysis of exchange rate risk, reflecting the impact on net gains and losses (due to changes in the fair value of monetary and monetary liabilities) in the event of a reasonable and possible change in the exchange rates of the USD and HKD under the assumption that all other variables on the end of reporting period. remain constant.

30 June 2019

Item	Exchange rate Increase/(Decrease is shown with "-")	Net profit or loss Increase/(Decrease is shown with "-")	Total shareholders' equity Increase/(Decrease is shown with "-")
Depreciation of RMB against USD	**10%**	**-1,036,804.07**	**-1,036,804.07**
Appreciation of RMB against USD	**-10%**	**1,036,804.07**	**1,036,804.07**
Depreciation of RMB against HKD	**10%**	**-9,787.62**	**-9,787.62**
Appreciation of RMB against HKD	**-10%**	**9,787.62**	**9,787.62**

VIII. FINANCIAL INSTRUMENTS AND RISK (CONTINUED)

2. Risk of financial instruments (continued)

Market risk (continued)

Foreign exchange risk (continued)

31 December 2018

Item	Exchange rate Increase/(Decrease is shown with "-")	Net profit or loss Increase/(Decrease is shown with "-")	Total shareholders' equity Increase/(Decrease is shown with "-")
Depreciation of RMB against USD	10%	-1,889,388.05	-1,889,388.05
Appreciation of RMB against USD	-10%	1,889,388.05	1,889,388.05
Depreciation of RMB against HKD	10%	-8,533,888.58	-8,533,888.58
Appreciation of RMB against HKD	-10%	8,533,888.58	8,533,888.58

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 has entered into a Forex swap contract with a bank. For details, please refer to Note V.2.

3. 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 in the six months ended 30 June 2019 and the year ended 31 December 2018.

The Group monitors capital using a 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	**30 June 2019**	31 December 2018
Total assets	**41,352,915,924.22**	41,100,850,328.23
Total liabilities	**21,369,226,998.12**	21,561,097,600.88
Debt-to-asset ratio	**51.68%**	52.46%

Notes to Financial Statements

For the six months ended 30 June 2019
(RMB)

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

1. Financial assets and liabilities measured at fair value

30 June 2019

Item	Fair value measurement using			
	Quoted price in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
Consecutive fair value measurement				
Transactional financial assets	59,962,667.00	–	–	59,962,667.00
Other non-current financial assets	–	189,778,840.00	–	189,778,840.00
Total	59,962,667.00	189,778,840.00	–	249,741,507.00

31 December 2018

Item	Fair value measurement using			
	Quoted price in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
Consecutive fair value measurement				
Transactional financial assets	45,103,194.00	–	–	45,103,194.00
Other non-current financial assets	–	180,438,820.00	–	180,438,820.00
Total	45,103,194.00	180,438,820.00	–	225,542,014.00

The fair value of the Group's non-listed equity instrument investment is estimated using the market method. The Group believes that the fair value and its changes based on valuation techniques are reasonable and are the most appropriate value on 30 June 2019.

IX. FAIR VALUE DISCLOSURE (CONTINUED)

1. Financial assets and liabilities measured at fair value (continued)

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 transactional financial assets held by the Group is determined based on the forward interest rate in the active markets as at 30 June 2019.

In the current period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

X. RELATED PARTY 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	51.561%	51.561%

The parent company of the Company is Shenzhen International and Shenzhen Investment Holding Company is the controlling shareholder of Shenzhen International. The Company's ultimate controlling party is Shenzhen SASAC.

2. Information about subsidiaries

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

3. Information about joint ventures and associates

The information about joint ventures and associates is set out in Note VII.2.

In the current period, the related party transactions with the Company, its joint ventures or associates that formed balances with the Company in the previous period are as follows:

Item	Relationship with the Group
Consulting Company	Associate
Huayu Company	Associate
Nanjing Third Bridge Company	Associate
GZ W2 Company	Associate
Jiangzhong Company	Associate
Yangmao Company	Associate
United Land Company	Associate

Notes to Financial Statements

For the six months ended 30 June 2019
(RMB)

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS (CONTINUED)

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 International South-China Logistics Co., Ltd. ("SC Logistics Company")	Parent company's wholly-owned subsidiary
Guizhou Pengbo Investment Co., Ltd. (Guizhou Pengbo)	Parent company's wholly-owned subsidiary
Shenzhen Shen International Modern City Logistics Port Co., Ltd.	Parent company's wholly-owned subsidiary
Shenzhen Longda Expressway Company Limited ("Longda Company")	Fellow subsidiary
Xin Tong Chan Company	Shareholder of the Company
United Electronic Company	Others
Huayu Investment Group	Others
Changsha Ring Road Construction and Development Co., Ltd. ("Changsha Ring Road Company")	Others
Nanjing Ningfeng Energy Technology Co., Ltd. ("Nanjing Ningfeng")	Others
Baotou Lingxiang New Energy Co., Ltd. ("Baotou Lingxiang")	Others
Baotou Nanfeng Wind Power Technology Co., Ltd. ("Baotou Nanfeng")	Others
Zhongming Luyuan Technology Co., Ltd. ("Zhongming Lvyuan")	Others
Baoji Zhongming Energy Technology Co., Ltd. ("Baoji Zhongming")	Others
Baoji Ningfeng Energy Technology Co., Ltd. ("Baoji Ningfeng")	Others

5. Related party transactions

(1) Rendering or receiving of services

Receiving of services

Name of related party	Nature of transaction	**For the six months ended 30 June 2019**	For the six months ended 30 June 2018
United Electronic Company (a)	Receiving integrated toll system settlement services	**10,133,884.85**	8,216,643.66
Consulting Company (b)	Accepted project management services	**7,708,752.21**	14,153,878.47
Others (c)	Receiving power supply services and others	**172,848.09**	152,756.51

(a) United Electronic Company is appointed by the People's Government of Guangdong Province to take charge of the management of the 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 the individual toll roads. The related service charges are determined by the commodity price bureau of the Guangdong Province.

(b) The Group has 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.

(c) Advertising Company and Qinglong Company, the subsidiaries of the Company, received the supply of water and electricity and power supply services from SC Logistics Company, Xin Tong Chan Company, Huayu Company and Longda Company. The respective transaction amounts were not disclosed as they were not material.

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related party transactions (continued)

(1) Rendering or receiving of services (continued)

Rendering of services

Name of related party	Nature of transaction	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Others (a)	Supply water and electricity for office and others	**721,211.04**	690,269.68

(a) The Company provides hydropower resources services for Xin Tong Chan Company, Huayu Company, United Electronic Company, Consulting Company and Longda Company. The services are charged at the price paid to the water supply and power supply agency and which is not disclosed separately because of the insignificant amount.

(2) Transfer of assets to a related party

Name of related party	Nature of transaction	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Shenzhen Shen International Modern City Logistics Port Co., Ltd.	Land expropriation compensation	–	7,620,000.00

(3) 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 for the six months ended 30 June 2019
Baotong Company	The Company	Equity trusteeship	1 January 2019	31 December 2019	Negotiated price	4,136,792.45

The Company was entrusted by Baotong Company to operate and manage Longda Expressway based on an agreement of equity trusteeship. The Company has renewed the agreement and the trusteeship is extended to 31 December 2019. Pursuant to the agreement, the management service fee is RMB8,770,000.00 per year including tax. In the current period, the Company recognized revenue related to the transaction amounting to RMB4,136,792.45 (the same period in 2018: RMB8,490,566.04).

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For the six months ended 30 June 2019
(RMB)

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related party transactions (continued)

(4) Leases

(a) As a lessor:

Item	Assets leased	For the six months ended 30 June 2019	For the six months ended 30 June 2018
United Electronic Company and Consulting Company	Office building	**5,782.86**	459,381.46

(b) As a lessee:

Item	Assets leased	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Longda Company, Huayu Company, SC Logistics Company, Xin Tong Chan Company	Billboard land use rights	**493,243.88**	1,081,614.56

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

*** (5) Remuneration of key management personnel**

Item	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Remuneration of key management personnel	**5,145,323.16**	3,515,500.00

Key management personnel include directors, supervisors and senior management personnel. The Company had a total of 21 members of key management personnel (the same period in 2018: 20 members) in the current period.

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related party transactions (continued)

(6) Borrowings from/to related parties

Borrowings from related parties：

Related party		Amount of borrowings	Annual interest rate	Inception date	Due date
GZ W2 Company (a)	Note V.31(v)	67,500,000.00	4.275%	2018/9/28	2021/9/20
Jiangzhong Company (b)	Note V.31(v)	60,000,000.00	3.915%	2018/11/27	2023/11/27
Xin Tong Chan Company	/	2,000,000,000.00	4.35%	2019/4/26	2019/4/30
United Land Company	/	277,830,000.00	3.65%	2019/4/23	2020/4/22

(a) In September 2018, the Company signed an entrusted loan contract with GZ W2 Company and Industrial and Commercial Bank of China Co., Ltd. Guangzhou Miaoqian Straight Street Sub-branch. GZ W2 Company entrusted the Industrial and Commercial Bank of China Guangzhou Miaoqian Straight Street Sub-branch to issue entrusted loans of RMB67,500,000.00 to the Company. The loan will be used for the daily business activities of the Company. The loan term is 3 years and the annual interest rate of the loan is 10% lower than the benchmark interest rate for the corresponding term of the loan announced by the People's Bank of China on the withdrawal date. In the current period, the Company confirmed the relevant interest expense of RMB1,450,828.12.

(b) In November 2018, the Company signed an entrusted loan contract with Jiangzhong Company and Industrial and Commercial Bank of China Co., Ltd. Guangzhou Ring City Sub-branch. Jiangzhong Company entrusted the Industrial and Commercial Bank of China Guangzhou Ring City Sub-branch to issue entrusted loan of RMB60,000,000.00 to the Company. The loan will be used for the daily procurement of materials for the maintenance and repair of road pavements and facilities. The loan period is 5 years and the annual interest rate of the loan is 10% lower than the benchmark interest rate for the corresponding term of the loan announced by the People's Bank of China on the withdrawal date. In the current period, the Company confirmed the relevant interest expense of RMB1,181,025.00.

(c) In April 2019, the Company signed a loan contract with Xin Tong Chan Company, and the contract stipulated that Xin Tong Chan Company would lend RMB2,000,000,000.00 to the Company. The amount will be used to inject capital into Coastal Company,and the loan term is not more than one month. The annual interest rate of the loan is the one-year loan benchmark interest rate announced by the People's Bank of China. The Company received RMB980,000,000.00 and RMB1,020,000,000.00 on 26 April 2019 and 28 April 2019, respectively, and repaid both loans above on 30 April 2019. In the current period, the Company confirmed the relevant interest expense of RMB710,301.37.

(d) In April 2019, the Company and the United Land Company signed a loan agreement, which stipulated that the United Land company provided borrowings of RMB277,830,000.00 to the Company. The loan period is one year and the annual interest rate of the loan is 3.65%. In the current period, the Company confirmed the relevant interest expense of RMB1,917,027.00.

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(RMB)

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related party transactions (continued)

(7) Other related party transactions

Name of related party	Nature of transaction	For the six months ended 30 June 2019	For the six Months ended 30 June 2018
United Land Company	Interest on reduced capital	595,434.57	12,656,201.32
United Land Company	Reduced capital	–	2,205,000,000.00
United Land Company	Property compensation of Meiguan	–	174,725,745.00

* The related transactions mentioned above in items(2), (3), (4.(b)) and (7) also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Hong Kong Listing Rules.

6. Receivables due from and payables due to related parties

(1) Receivable items

		30 June 2019		31 December 2018	
Item	Related parties	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Accounts receivable	Baotong Company	2,295,854.23	–	2,295,854.23	–
Accounts receivable	Baoji Zhongming	2,136,830.00	–	–	–
Accounts receivable	Baoji Ningfeng	278,900.00	–	–	–
Accounts receivable	Longda Company	–	–	1,298.18	–
Other receivables	Nanjing Ningfeng Company	132,104,561.95	–	–	–
Other receivable	Baotou Linxiang	76,538,400.00	–	–	–
Other receivable	Baotou Nanfeng	60,799,800.00	–	–	–
Other receivable	Huayu Investment Company	431,550.60	–	–	–
Other receivable	Huayu Company	363,973.69	–	20,000.00	–
Other receivable	Longda Company	110,000.00	–	110,000.00	–
Other receivables	Changsha Ring Road Company	88,556.58	–	88,556.58	–
Other receivables	Consulting Company	84,050.00	–	84,050.00	–
Other receivables	United Land Company	–	–	606,662,489.40	–
Advances	Consulting Company	3,274,530.20	–	4,693,984.06	–
Advance	United Electronic Company	48,183.20	–	–	–
Other non-current assets	United Land Company	342,599,500.00	–	342,599,500.00	–

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS (CONTINUED)

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

(2) Payable items

Item	Related parties	30 June 2019	31 December 2018
Accounts payable	Consulting Company	**2,951,358.60**	2,441,328.80
Accounts payable	Nanjing Ninfeng Company	**2,580,000.00**	–
Accounts payable	United Electronic Company	**651,747.90**	–
Accounts payable	Huayu Company	**206,357.15**	210,357.15
Accounts payable	Xin Tong Chan Company	**80,279.25**	–
Accounts payable	Longda company	**28,000.00**	27,900.00
Accounts payable	SC Logistics Company	**2,107.80**	1,607.80
Other payables	United Land Company	**279,747,027.00**	–
Other payables	Zhongming Luyuan	**19,204,990.00**	–
Other payables	GZ W2 Company	**18,532,968.85**	18,540,984.48
Other payables	Consulting Company	**11,773,982.26**	15,021,943.16
Other payables	Nanjing Ninfeng	**5,000,000.00**	–
Other payables	United Electronic Company	**3,025,287.30**	579,209.79
Other payables	Guizhou Pengbo	**515,680.55**	610,216.91
Other payables	Jianzhong Company	**65,250.00**	71,775.00
Other payables	Baotou lingxiang	**63,498.94**	–
Other payables	Xin Tong Chan Company	**5,000.00**	5,000.00
Other payables	Nanjing Third Bridge Company	**–**	4,196,531.79

All receivables and payables to related parties excluded borrowings from related parties are non-interest bearing, unsecured and have no fixed repayment terms. The borrowings from related parties are interest bearing and have repayment terms.

7. Commitments to related party

The commitments that had been contracted but not yet recognized on the statement of financial position are as follows:

(1) Receiving service

Item	30 June 2019	31 December 2018
Consulting Company	**30,239,413.23**	37,948,165.44

(2) Investment commitments

On 30 June 2019, the Group's investment commitments to related parties are RMB588,335,914.05 (31 December 2018: RMB698,500,000.00). The investment commitments are the Company's commitments to increase the capital of Yangmao's renovation and expansion project.

(3) Equity acquisition commitments

On 30 June 2019, the Group had no equity acquisition commitments.

Notes to Financial Statements

For the six months ended 30 June 2019
(RMB)

XI. COMMITMENTS AND CONTINGENCIES

1. Significant commitments

In addition to the related party commitments disclosed in Note X.7, the important commitments of the Group are as follows:

(1) Capital commitments

(a) Capital commitments approved by management but not yet contracted at the end of the reporting period:

Item	30 June 2019	31 December 2018
Expressway construction projects	**2,423,421,080.54**	2,516,026,680.10

(b) Capital commitments contracted by management but not provided for at the end of the reporting period:

Item	30 June 2019	31 December 2018
Highway development projects & real estate	**2,493,477,182.65**	3,496,089,939.74
Purchase payment	**270,384,891.40**	–
Total	**2,763,862,074.05**	3,496,089,939.74

(2) Investment commitments

On 30 June 2019, the Group had no investment commitments.

(3) Significant operating leases

Under the lease contracts with the lessors, the minimum lease payments for the non-cancellable leases are as follows:

Item	30 June 2019	31 December 2018
Within 1 year (including 1 year)	**41,699,963.79**	33,304,089.10
1 year to 2 years (including 2 years)	**38,848,340.50**	33,095,227.29
2 years to 3 years (including 3 years)	**29,802,983.18**	21,898,763.22
Over 3 years	**89,093,189.82**	78,849,466.88
Total	**199,444,477.29**	167,147,546.49

XI. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 an irrevocable performance bank guarantee of RMB15,000,000.00.

(b) The Company was entrusted by the Longhua District Construction and Engineering Bureau of Shenzhen to carry out 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 the Longhua District Golf Boulevard (Guanlan Avenue – Huanguan nan Road) renovation project. According to the terms of the entrustment management contract, the Company has provided a non-cancellable performance bank guarantee letter of RMB50,170,000.00 to the Longhua District Construction and Engineering Bureau of Shenzhen.

(c) As at 30 June 2019, the Group provided a stage-and-combined liability guarantee of approximately RMB825,821,000.00 to the bank for its house mortgage 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 and 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 made 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.

XII. 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.

Notes to Financial Statements

For the six months ended 30 June 2019
(RMB)

XII. OTHER SIGNIFICANT MATTERS (CONTINUED)

1. Segment information (continued)

(2) Segment information

For the six months ended 30 June 2019	Toll road	Others	Unallocated	Total
Revenue from external customers	2,204,299,369.88	494,893,331.93	–	2,699,192,701.81
Cost of service	1,052,312,982.16	356,380,554.98	–	1,408,693,537.14
Interest income	6,859,317.55	4,634,446.24	13,177,929.83	24,671,693.62
Interest expenses	259,638,194.95	27,210,496.44	–	286,848,691.39
Share of profits of associates and joint ventures	146,149,281.97	154,241,087.76	–	300,390,369.73
Credit impairment loss	–	-90,000.00	–	-90,000.00
Depreciation and amortization	732,514,317.09	14,514,531.89	5,315,698.57	752,344,547.55
Total profit	1,086,218,988.31	487,188,933.56	-55,888,248.14	1,517,519,673.73
Income tax expense	-280,766,046.79	90,558,856.09	–	-190,207,190.70
Net profit	1,366,985,035.10	396,630,077.47	-55,888,248.14	1,707,726,864.43
30 June 2019				
Total assets	32,175,255,649.91	9,015,255,320.49	162,404,953.82	41,352,915,924.22
Total liabilities	19,578,750,957.79	1,636,260,181.23	154,215,859.10	21,369,226,998.12
For the six months ended 30 June 2019				
Long-term equity investments in associates and joint ventures	1,491,283,340.60	6,565,923,414.57	–	8,057,206,755.17
Addition of non-current assets other than financial assets, long-term equity investments and deferred tax assets	777,178,139.93	120,666,938.54	2,637,159.47	900,482,237.94

XII. OTHER SIGNIFICANT MATTERS (CONTINUED)

1. Segment information (continued)

(2) Segment information (continued)

For the six months ended 30 June 2018	Toll road	Others	Unallocated	Total
Revenue from external customers	2,462,484,827.14	215,037,936.22	–	2,677,522,763.36
Cost of service	1,164,462,427.98	118,398,064.09	–	1,282,860,492.07
Interest income	21,779,305.05	8,238,093.69	2,411,091.25	32,428,489.99
Interest expenses	502,413,156.19	9,535,947.52	–	511,949,103.71
Share of profits of associates and joint ventures	139,353,759.63	145,929,609.38	–	285,283,369.01
Credit impairment loss	-14,115.84	–	–	-14,115.84
Depreciation and amortization	825,195,327.45	7,557,028.82	3,553,236.52	836,305,592.79
Total profit	1,132,964,834.13	206,101,086.28	-30,887,052.12	1,308,178,868.29
Income tax expense	253,916,318.06	13,831,508.02	–	267,747,826.08
Net profit	879,048,516.08	192,269,578.25	-30,887,052.12	1,040,431,042.21
30 June 2018				
Total assets	36,772,139,239.79	7,501,109,289.43	126,976,447.61	44,400,224,976.83
Total liabilities	27,484,484,970.57	660,176,176.63	92,488,236.82	28,237,149,384.02
For the six months ended 30 June 2018				
Long-term equity investments in associates and joint ventures	1,438,064,840.66	5,525,805,485.45	–	6,963,870,326.11
Addition of non-current assets other than financial assets, long-term equity investments and deferred tax assets	688,797,070.24	9,235,900.92	619,674.62	698,652,645.78

(3) Other information

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 from sales to any single customer that reached or exceeded 10% of the Group's revenue for the year.

Notes to Financial Statements

For the six months ended 30 June 2019
(RMB)

XIII. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

1. Accounts receivable

(1) The aging of accounts receivable according to the recognition date is analysed below:

	30 June 2019	31 December 2018
Within 1 year	**15,725,801.05**	16,492,239.55
1 to 2 years	**–**	–
2 to 3 years	**–**	–
Over 3 years	**4,838,866.44**	4,838,866.44
Sub-total	**20,564,667.49**	21,331,105.99

(2) Accounts receivable are analyzed by category as follows:

	30 June 2019			
	Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	% of total balance
Receivables that are subject to provision by group with similar credit risk characteristics	**20,564,667.49**	**100.00**	**–**	**–**
Group 1	**6,164,962.39**	**29.98**	**–**	**–**
Group 2	**14,399,705.10**	**70.02**	**–**	**–**
Total	**20,564,667.49**	**100.00**	**–**	**–**

The aging of group 2 according to the recognition date is analyzed below：

	30 June 2019		
	Estimated default book balance	Expected credit loss rate (%)	Expected credit loss over the duration
Within 1 year	**14,399,705.10**	**–**	**–**
Total	**14,399,705.10**	**–**	**–**

XIII. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

1. Accounts receivable (continued)

(2) Accounts receivable are analyzed by category as follows (continued):

	31 December 2018			
	Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	% of total balance
Receivables that are subject to provision by group with similar credit risk characteristics	21,331,105.99	100.00	–	–
Group 1	5,663,466.45	26.55	–	–
Group 2	15,667,639.54	73.45	–	–
Total	21,331,105.99	100.00	–	–

The aging of group 2 according to the recognition date is analyzed below：

	31 December 2018		
	Estimated default book balance	Expected credit loss rate (%)	Expected credit loss over the duration
Within 1 year	15,667,639.54	–	–
Total	15,667,639.54	–	–

(3) 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 30 Jun 2019	20,328,267.49	–	98.85
Total accumulated accounts receivable from the five largest debtors at 31 December 2018	20,339,859.04	–	95.35

Notes to Financial Statements

For the six months ended 30 June 2019
(RMB)

XIII. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables

(1) Other receivables are classified as follows:

	30 June 2019	31 December 2018
Interest receivable	**1,944,155.01**	2,367,187.50
Dividends receivable	**450,000,000.00**	450,000,000.00
Other receivables	**234,898,805.83**	2,026,988,171.40
Total	**686,842,960.84**	2,479,355,358.90

(2) The aging of other receivables according to the recognition date is analyzed below:

	30 June 2019	31 December 2018
Within 1 year	**685,701,940.56**	2,433,147,267.78
1 to 2 years	**865,470.28**	197,499.95
2 to 3 years	**169,550.00**	4,361,802.69
Over 3 years	**106,000.00**	41,648,788.48
Total	**686,842,960.84**	2,479,355,358.90

(3) The changes in the ending balance and provision for bad debts are as follows:

	The first stage Expected credit loss over the next 12 months	
	Ending balance	Provision for bad debts
Balance on 1 January 2019	**2,479,355,358.90**	–
Additions	**106,587,837.96**	–
Reduction	**1,899,100,236.02**	–
Balance on 30 June 2019	**686,842,960.84**	–

	The first stage Expected credit loss over the next 12 months	
	Ending balance	Provision for bad debts
Balance on 1 January 2018	369,260,529.15	–
Additions	4,021,088,901.02	–
Reduction	1,910,994,071.27	–
Balance on 31 December 2018	2,479,355,358.90	–

XIII. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (continued)

(4) Other receivables by nature are analyzed as follows:

Nature	30 June 2019	31 December 2018
Dividends receivable	450,000,000.00	450,000,000.00
Loans receivable	110,099,486.53	414,881,251.66
Four Expressways maintenance receivable	29,147,338.81	–
Three Expressways old station operation compensation receivable	14,880,000.00	–
Advances receivable	22,611,468.22	24,476,330.17
Interest receivable	1,944,155.01	2,367,187.50
The taxes receivable for the Three Expressways	–	932,672,618.97
Shenzhen International United Land Company	–	606,662,489.40
Others	58,160,512.27	48,295,481.20
Total	**686,842,960.84**	2,479,355,358.90

(5) The five largest other receivables are analyzed as follows:

30 June 2019

Categories	Nature	31 December 2018	Aging	% of total balance	Balance of provision for bad debts
Mei Wah Company	Dividends receivable	450,000,000.00	Within 1 year	65.52	–
Qinglong Company	Loans	50,000,000.00	Within 1 year	7.28	–
Shenzhen Transportation Bureau	The taxes for Three Expressways borne by the government	44,027,338.81	Within 1 year	6.41	–
Mei Wah Company	Enterprise transaction receivable	41,727,164.39	Within 1 year	6.08	–
Qinglian Company	Loans	40,333,337.00	Within 1 year	5.87	–
Total	/	626,087,840.20	/	91.16	–

31 December 2018

Categories	Nature	31 December 2018	Aging	% of total balance	Balance of provision for bad debts
Shenzhen Transportation Bureau	The taxes for Three Expressways borne by the government	932,672,618.97	Within 1 year	37.62	–
Shenzhen International United Land Company	Reduction of other receivables	606,662,489.40	Within 1 year	24.47	–
Mei Wah Company	Dividends receivable	450,000,000.00	Within 1 year	18.15	–
Yichang Company	Loans	260,000,000.00	Within 1 year	10.49	–
Qinglong Company	Loans	130,000,000.00	Within 1 year	5.24	–
Total	/	2,379,335,108.37	/	95.97	–

Notes to Financial Statements

For the six months ended 30 June 2019
(RMB)

XIII. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investments

Item	30 June 2019			31 December 2018		
	Carrying amount	Impairment provided in current year	Net book amount	Carrying amount	Impairment provided in current year	Net book amount
Subsidiaries	16,550,071,928.82	678,765,149.21	15,871,306,779.61	11,940,843,929.37	678,765,149.21	11,262,078,780.16
Joint ventures and associates	3,500,999,495.17	–	3,500,999,495.17	3,405,269,465.55	–	3,405,269,465.55
Total	20,051,071,423.99	678,765,149.21	19,372,306,274.78	15,346,113,394.92	678,765,149.21	14,667,348,245.71

(1) Investments in subsidiaries

Investee	31 December 2018	Additional injection	In the current period	30 June 2019	Cash dividend declared	Impairment provided on 30 June 2019
Airport-Heao Eastern Company	579,610,371.65	–	–	579,610,371.65	–	–
Meiguan Company	523,057,283.42	–	–	523,057,283.42	–	–
Qinglong Company	101,477,197.16	–	–	101,477,197.16	40,000,000.00	–
Advertising Company	3,325,000.01	–	–	3,325,000.01	–	–
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	4,460,000,000.00	510,000,000.00	–	4,970,000,000.00	–	–
Shenzhen Expressway Operation Development Co., LTD.	28,500,000.00	–	–	28,500,000.00	–	–
Shenchang Company	67,851,316.78	–	10,972,000.55	56,879,316.23	–	–
Yichang Company	1,270,000,000.00	–	–	1,270,000,000.00	–	–
Construction and Development Company	28,500,000.00	–	–	28,500,000.00	–	–
Shenshan Company	5,100,000.00	10,200,000.00	–	15,300,000.00	–	–
Coastal Company	1,487,939,407.88	4,100,000,000.00	–	5,587,939,407.88	–	–
Fund Management Company	9,500,000.00	–	–	9,500,000.00	–	–
Total	11,262,078,780.16	4,620,200,000.00	10,972,000.55	15,871,306,779.61	40,000,000.00	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.13. Except for the investments in associates namely Guizhou hengtongli Property Company and Derun Environment, the investments in associates are held by the Company.

XIII. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

4. Revenue and costs of services:

Item	For the six months ended 30 June 2019		For the six months ended 30 June 2018	
	Revenue	Cost	Revenue	Cost
Main businesses	321,784,557.41	54,179,604.39	657,913,427.85	222,118,267.11
Other businesses	95,220,349.36	80,563,043.56	31,310,627.58	16,788,101.69
Total	**417,004,906.77**	**134,742,647.95**	689,224,055.43	238,906,368.80

5. Investment income

Item	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Income from long-term equity investments under the equity method	202,974,408.85	12,803,438.05
Income from long-term equity investments under the cost method	40,000,000.00	204,627,845.37
Investment income from other non-current financial assets	28,080,000.00	–
Income from financial products	61,369.86	–
Total	**271,115,778.71**	217,431,283.42

XIV. SUPPLEMENTARY INFORMATION

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

Item	Amount	Note
Income from entrusted management services	4,107,007.54	Income from entrusted management services provided to Longda Company in the current year.
Income from financial products	1,445,321.53	
Changes in fair value of foreign currency swaps	14,859,473.00	To mitigate the exchange rate risk, the Group entered into foreign exchange swap arrangements for the bond with a principal value of USD300 million dollars, and related gains on change in fair value were recognized during the current year.
Changes in fair value of other non-current financial assets	9,340,020.00	This year's fair value change proceeds from shares of Water Planning & Design Institute Company and United Electronic Company.
Gains on disposal of non-current assets	900.70	
Equity transfer of a subsidiary	267,175,591.34	Transfer 100% equity and creditor's rights of four subsidiaries of Guizhou Shengbo and confirm the equity transfer income
Interest income accrued from loan to a non-financial entity	595,434.57	Interest from United Land Company's capital reduction
Income and expenditure other than those mentioned above	335,554.73	
Impact of minority interests	-60,850,668.03	
Impact of income tax	-74,464,825.85	
Total	162,543,809.53	

Notes to Financial Statements

For the six months ended 30 June 2019
(RMB)

XIV. SUPPLEMENTARY INFORMATION (CONTINUED)

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

Basis for preparation of the 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 the CSRC, non-recurring profit or loss refers to transactions that are not directly relevant to the normal business operations, 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

		Earnings per share	
Profit for the reporting period	**Weighted average return on net assets (%)**	**Basic earnings per share**	**Diluted earnings per share**
Net profit attributable to ordinary owners of the Company	8.80	0.723	0.723
Net profit after deducting non-recurring profit or loss attributable to ordinary owners of the Company	7.93	0.649	0.649

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 Persons and Contact Method

	Secretary of the Board	Company secretary	Securities officer
Name	LUO Kun	LUO Kun	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
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

Company Profile

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
Interim 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

- *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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