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Shenzhen International Holdings Limited

深圳國際控股有限公司

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 00152)**

**(the “Company”)**

## **OVERSEAS REGULATORY ANNOUNCEMENT**

The document attached hereto is the 2015 Annual Results Preliminary Announcement released by Shenzhen Expressway Company Limited, a subsidiary of the Company.

Hong Kong, 18 March 2016

*As at the date of this announcement, the board of directors of the Company consists of Messrs. Gao Lei, Li Jing Qi, Zhong Shan Qun, Liu Jun and Li Lu Ning as executive directors, Dr. Yim Fung, JP as non-executive director and Messrs. Leung Ming Yuen, Simon, Ding Xun and Nip Yun Wing as independent non-executive directors.*

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## 深圳高速公路股份有限公司

### SHENZHEN EXPRESSWAY COMPANY LIMITED

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

**(Stock Code: 00548)**

### 2015 Annual Results Preliminary Announcement

#### I. Important Notice

- 1.1 2015 Annual Results Preliminary Announcement of the Company is extracted from full Annual Report 2015 of the Company. For detailed information, investor shall read the full annual report to be published on the website of SSE at <http://www.sse.com.cn> and HKEx at <http://www.hkexnews.com.hk>.

All the information to accompany preliminary announcement of results for the financial year required under Appendix 16 to the Listing Rules was included in the 2015 Annual Results Preliminary Announcement published on the website of HKEx.

The 2015 annual financial statements of the Company were prepared in accordance with CASBE, and also were complied with the disclosure requirements under the Hong Kong Companies Ordinance and the Listing Rules.

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

#### 1.2 Basic Information of the Company

Type of shares	A Share	H Share
Abbreviation	Shenzhen Expressway	Shenzhen Expressway
Stock code	600548	00548
Listing exchanges	SSE	HKEx
Contacts and details	Secretary of the Board	Securities Officer
Name	LUO Kun	GONG Xin, XIAO Wei
Telephone	(86) 755-8285 3331	(86) 755-8285 3338
Fax	(86) 755-8285 3400	
E-mail	secretary@sz-expressway.com	

## II. Proposed Profit Distribution

The Board recommended the payment of a final dividend of RMB 0.34 (tax included) per share in cash to all shareholders (2014: RMB0.45 per share), based on the total share capital of 2,180,770,326 as at the end of 2015 and totaling RMB 741,461,910.84 for the year 2015. The aforesaid proposal shall be subject to approval by shareholders at the 2015 Annual General Meeting of the Company. The date of the annual general meeting, the record date for dividend payment, dividend payment procedures and payment date, and the book closure period for H Shares will be notified separately.

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

### 3.1 Principal Financial Data

During the Reporting Period, the Group recorded a revenue of RMB3,421 million, representing an decrease of 5.52% YOY. Net profit attributable to owners of the Company amounted to RMB1,553 million with earnings per share of RMB 0.712, representing an decrease of 29.0% YOY.

Unit: RMB

	As at 31 Dec 2015	As at 31 Dec 2014	Change as compared to the end of last year	As at 31 Dec 2013 (Restated <sup>Note</sup> )
Total assets	<b>31,670,655,088.41</b>	24,329,324,209.02	30.17%	22,840,107,479.91
Owners' equity attributable to owners of the Company	<b>12,368,892,973.17</b>	11,797,581,861.32	4.84%	9,974,420,429.05
	2015	2014	Change as compared to last year	2013
Revenue	<b>3,420,578,335.19</b>	3,620,357,480.08	-5.52%	3,279,281,057.26
Net profit attributable to owners of the Company	<b>1,552,656,397.24</b>	2,186,883,365.49	-29.0%	719,691,617.00
Net profit attributable to owners of the Company - excluding non-recurring items	<b>527,396,785.06</b>	963,942,971.64	-45.29%	828,414,277.54
Net cash flows from operating activities	<b>1,771,505,130.32</b>	1,793,755,282.29	-1.24%	1,761,224,786.28
Return on equity - weighted average (%)	<b>12.94%</b>	20.14%	decrease 7.20 pet.pt	7.40%
Earnings per share - basic (RMB/share)	<b>0.712</b>	1.003	-29.0%	0.330
Earnings per share - diluted (RMB/share)	<b>0.712</b>	1.003	-29.0%	0.330

Note:

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

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

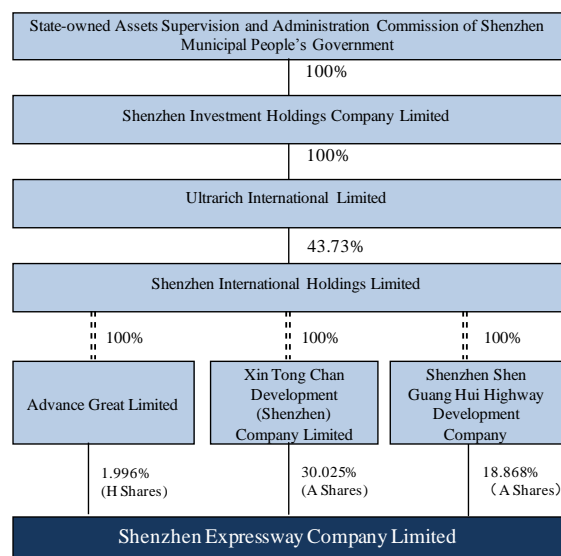
As at the end of the Reporting Period, based on the shareholders' registers provided by the share registrars and the transfer offices of the Company in the PRC and Hong Kong, the information of the total number of shareholders and the top ten shareholders of the Company were as follows:

Unit: share

<b>Total number of shareholders as at the end of 2015</b>	The Company had 30,674 shareholders in total, including 30,420 holders of A Shares and 254 holders of H Shares.				
<b>Total number of shareholders as at the end of the last month prior to the Reporting Date</b>	The Company had 28,243 shareholders in total, including 27,991 holders of A Shares and 252 holders of H Shares.				
<b>Top ten shareholders as at the end of 2015</b>					
<b>Name of shareholder</b>	<b>Nature of shareholders</b>	<b>Percentage</b>	<b>Number of shares held</b>	<b>Number of restricted circulating shares held</b>	<b>Number of shares pledged or frozen</b>
HKSCC NOMINEES LIMITED <sup>note</sup>	Overseas legal person	32.95%	718,459,099	—	Unknown
Xin Tong Chan Development (Shenzhen) Company Limited	Domestic non-state-owned legal person	30.03%	654,780,000	—	None
Shenzhen Shen Guang Hui Highway Development Company	Domestic non-state-owned legal person	18.87%	411,459,887	—	None
China Merchants Hua Jian Highway Investment Co., Ltd	State-owned legal person	4.00%	87,211,323	—	None
Guangdong Roads and Bridges Construction Development Company Limited	State-owned legal person	2.84%	61,948,790	—	None
AU SIU KWOK	Overseas natural person	0.50%	11,000,000	—	Unknown
IP KOW	Overseas natural person	0.42%	9,100,000	—	Unknown
China Securities Finance Corporation Limited	Domestic non-state-owned legal person	0.20%	4,416,000	—	Unknown
Shanghai Honestfund Asset Management Co.,Ltd—Honestfund Multi-Strategy Securities Investment Funds	Domestic non-state-owned legal person	0.19%	4,144,825	—	Unknown
Shanghai Chengming Investment Co.,Ltd	Domestic non-state-owned legal person	0.14%	3,086,942	—	Unknown
<b>Connected relationship or concerted action relationship among the abovementioned shareholders</b>	Xin Tong Chan Development (Shenzhen) Company Limited and Shenzhen Shen Guang Hui Highway Development Company are connected persons under the same control of Shenzhen International Holdings Limited. There is no connected relationship among the state-owned shareholders in the above table. The Company did not notice any connected relationship among the other abovementioned shareholders or any connected relationship among the abovementioned state-owned shareholders and other shareholders.				

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

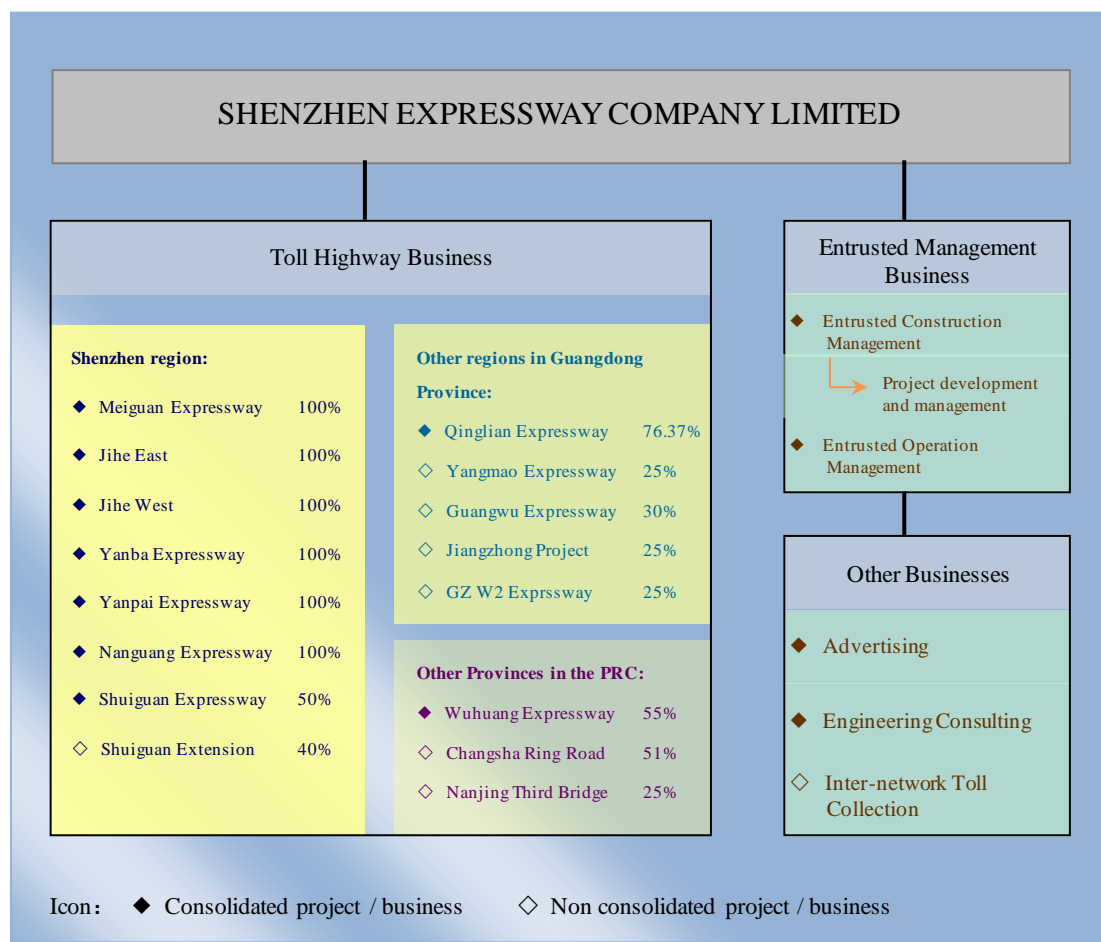
### 3.3 The Ownership and the Relation of Control Between the Company and the De-facto Controller



## IV Report of the Directors

### 4.1 Business Review

The Group's revenues and profits are mainly derived from toll highway operations and investments. In addition, the Group provides outstanding construction management and highway operation management services for the government and other enterprises. Building on relevant management experience and resources and relying on the core business of toll highway, the Company has launched the businesses such as project development and management, advertising, construction consulting, and inter-network toll collection. The principal business structure of the Company is set out as follows:



In 2015, the Group earnestly managed the toll highway projects, steadily developed the entrusted management business and prudently attempted to enter into new types of business. During the Reporting Period, the Group recorded revenue of approximately RMB3,421,000,000, representing a YOY decrease of 5.52%, of which toll revenue of approximately RMB3,014,000,000, entrusted management services revenue of approximately RMB95,000,000, engineering consulting services revenue of approximately RMB191,000,000, advertising and other business revenue of approximately RMB121,000,000, accounted for 88.12%, 2.77%, 5.60% and 3.51% of the total revenue of the Group respectively.

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

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

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

In 2015, during the transformation of the Chinese economy which witnessed the continuous optimisation of industrial structure, acceleration of the reform of traditional industries and promotion of new economic development, there was significant downside pressure on the economy. The GDP of the PRC recorded a YOY growth of 6.9% with the growth rate decreased by 0.4% as compared to last year. During the year, Guangdong Province and Shenzhen City recorded YOY growths of 8.0% and 8.9% in their regional GDPs respectively, slightly above the national average. The economic growth was relatively stable and conducive to the general growth of the regional transportation and logistics demand via highway. During 2015, the container throughput at Shenzhen ports reached a YOY growth of 0.7%, of which the container throughput of Yantian Port maintained a YOY growth of approximately 4.2%, facilitating the growth of the total traffic volume of lorries in the road network of Shenzhen region in a more effective manner. In addition, driven by the active adjustment of industrial structure policy in recent years, Guangdong Province recorded a significant growth in consumption in 2015. The total retail sales of social consumer goods for the year was RMB 3.1 trillion a YOY growth of 10.1%. which is the first time exceeded RMB3 trillion.<sup>Source of above data: Governmental statistics information website.</sup> Under the combined effect of various factors in the macro and regional economic environment, most of our toll highway projects maintained relatively stable operating performance during the Reporting Period, however, traffic volume and toll revenue of certain toll highway projects recorded YOY decreases.

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

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

## 2. Business Performance and Analysis

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

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

Notes:

- (1) Traffic volume which is toll free during holidays is not included in the figures of average daily mixed traffic volume.
- (2) Toll-free policy for Meilin to Guanlan section of Meiguan Expressway with a mileage of approximately 13.8 km has been implemented since 24:00 on 31 March 2014 and the toll for the section from Shenzhen-Dongguan border to Guanlan with a mileage of approximately 5.4 km remained the same. As there is a relatively significant change on the toll mileage, no YOY change data is provided in this table.
- (3) For the convenience of residents in Shenzhen to go to the eastern coast for leisure and vacation, the government has made a standardised payment to the Company for the vehicles travelling to and from Yantian and Dameisha Ramp based on the agreed standards and methods since February 2007. During 2013 to 2017, toll fees paid by the government as agreed are RMB19 million per year, which are included in the toll revenues of Yanba Expressway on a monthly basis. Arrangement after 2017 will be negotiated and confirmed by both parties before expiry of the agreement.
- (4) During the Reporting Period, as the Group has completed the relevant work of the acquisition of additional 10% equity interests in the Shuiguan Expressway Project Company, and obtained effective control over the project company, the equity interests of Shuiguan Expressway held by the Group therefore increased from 40% to 50% in 30 October 2015, and the proportion of revenue consolidated into the financial statements has been adjusted to 100% from not being consolidated.

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

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

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

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

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



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

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

## **(3) Other provinces**

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

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

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

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

inspections of overloading vehicles and strive to reduce toll loss. Meanwhile, against the backdrop of the implementation of the nationwide ETC inter-network toll collection system and continuous expansion of the coverage of inter-network toll collection, regular upgrade and reform of software and hardware of the toll collection system and constant update of business procedures and management systems, the Group continued to optimise the standardised operation management modules and constantly improved the traffic condition and efficiency of roads by adhering to its regulated, standardised and systematic management model, with a view to enhance the competitiveness and operational performance of the projects.

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

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

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

The Company conducted regular quality checks on highways and frequent inspections on highway administration. It has also built up a joint mechanism between road assets and traffic operational information, which enables the Company to take timely measures to remove and

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

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

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

Based on the overall demands for economic development and transportation planning, the Shenzhen government has conducted an in-depth discussion and negotiation with the Company on the toll adjustment of Nanguang Expressway, Yanpai Expressway and Yanba Expressway ("Three Projects") and eventually reached a consensus and agreement in compliance with the market principles. On 30 November 2015, the Company and Transport Commission of Shenzhen Municipality (on behalf of the Shenzhen Municipal People's Government) entered into an agreement relating to the toll adjustment of the Three Projects, pursuant to which, the adjustment proposal will be implemented from 00:00 on 7 February 2016 in two phases: the Company will implement the toll-free policy for Nanguang Expressway, Yanpai Expressway and Yanba Expressway, while the Transport Commission of Shenzhen Municipality will make cash compensation to the Company based on the adjustment mechanism accordingly. The adjustment will be implemented in two phases: during Phase 1 (from 7 February 2016 to 31 December 2018), the Company will implement the toll-free policy for the Three Projects, under which it may retain the fee entitlement right and continue to be responsible for the management and maintenance of such sections; meanwhile, the Transport Commission of Shenzhen Municipality will acquire traffic services of the Three Projects from

the Company and make compensation for the exempted toll fees (as consideration for the services). During Phase 2 (commencing from 1 January 2019), the Transport Commission of Shenzhen Municipality can opt to adopt the adjustment mechanism in Phase 1 (Option 1) continuously or it can resume possession of the fee entitlement right of the Three Projects earlier and make compensation accordingly (Option 2). If the Transport Commission of Shenzhen Municipality opts to resume possession of the fee entitlement right of the Three Projects earlier, the Company will no longer retain the fee entitlement right of the Three Projects and will no longer be responsible for the corresponding management and maintenance. In the case that Option 1 or Option 2 is adopted during Phase 2, the tentative amounts of total compensation will be RMB9.688 billion and RMB7.652 billion respectively. Such amounts will be settled, recognised or adjusted in accordance with the settlement terms under the agreement. For details, please refer to the announcement of the Company dated 2 December 2015. All conditions precedent under the agreement have been fulfilled on 29 January 2016, and the toll-free policy has been implemented for the three abovementioned projects starting from 7 February 2016. Based on the estimated cash flow to be generated by future revenue and/or income of Nanguang Expressway, Yanpai Expressway and Yanba Expressway, the Company acquired a large amount of cash assets at a reasonable consideration and capital cost, which will enable the Company to improve its financial position and enhance its ability and provide rooms for business expansion and exploration of new industries. The Company will also step up its effort in acquiring main business projects and developing new industries, with a view to improve its asset structure for long-term development as a whole and achieve new industry layout as soon as possible. In connection with the abovementioned adjustment proposal, the Company has received a reasonable compensation, which has taken into account its needs for sustainable development. The adjustment also benefits the comprehensive social and economic development of the regions along the expressways and the overall development of Shenzhen area. Therefore, the adjustment is a win-win solution that brings benefits to the society, government and the Company. For the specific impact of the toll adjustment of the Three Projects to the Group's operating result and financial position, please refer to the relevant content in "Financial Analysis" and "Outlook and Plans" below.

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

After careful and thorough discussion and negotiation between the Group and government authorities, the parties eventually reached a consensus on matters relating to the investment, construction and management of Outer Ring Project. According to the current proposal, the investment budget for Section A of Outer Ring is approximately RMB20.59 billion, among which, the Group will invest RMB6.5 billion and receive the operating revenue and undertake

the operating cost, relevant taxes and risks of the project for a term of 25 years, and the cost overruns will be assumed or financed by Shenzhen Special Economic Zone Construction and Development Company Limited, a company established and wholly-owned by the Shenzhen government. For details, please refer to the announcement of the Company dated 18 March 2016. As at the Reporting Date, the construction drawing design for Section A of Outer Ring has been approved and most of the works in relation to tenders of consultation have been completed, while other tasks including land preparation, procedures for land use, as well as relocation of pipelines and cables are now underway. The proposal for Outer Ring Project is a toll highway project undertaken by the Group based on PPP mode, which can effectively maintain a balance between public welfare and reasonable returns for commercial investment of infrastructure and provide quality service to the public in the most cost-effective way, thereby realise a win-win situation for the public, the government and the Company. The abovementioned proposal is subject to the approval at the general meeting.

## **(II) Entrusted Management and Other Businesses**

Relying on the core business of toll highway and building on relevant management experience and resources, the Group has launched or engaged in related businesses such as entrusted management, advertising and construction consultation, and prudently tapped into new business areas as favourable trials and auxiliaries in addition to core business, aiming at providing more room for further growth and development of the Group.

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

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

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

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

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

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

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

In 2015, the Company continued to be entrusted to carry out the operation management of Longda Project under the model of equity management, and each of the management task thereunder was smoothly carried out. On 30 December 2015, the Company and Baotong Company renewed the entrusted management agreement and the entrusted term was extended to 31 December 2018. Moreover, pursuant to the “Entrusted Operation Management Agreement” entered into between the Company and SIHCL in November 2009, the Company was entrusted to manage Coastal Company, including the management of Coastal Expressway (Shenzhen Section) during the construction period and operation period and among which, the specific arrangement in respect of the entrusted management of Coastal Company during the operation period will be confirmed after further negotiation, and is subject to the ultimate approval of the Shenzhen government. As at the Reporting Date, the details of specific matters such as the calculation and payment arrangement of the entrusted management fee are still under negotiation, and are subject to the approval procedures handled by the parties of the agreement as stipulated.

For details of the profits as well as incomes and expenses of various entrusted management businesses during the Reporting Period, please refer to the relevant content in “Financial Analysis” below and note V\33 to the financial statements in this announcement.

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

With the improvement of Guilong Road and the infrastructure of its in peripheral regions and the development of the whole Guilong Economic Zone, it is expected that the peripheral lands peripheral to Guilong Project will have greater potential for appreciation. In order to effectively reduce the risk of fund recovery from Guilong Project and realise the expected or an even more favourable amount of incomes from the project, Guishen Company has actively

engaged in the land auctions within the development area of Guilong Project. From 2012 up to the Reporting Date, Guishen Company has successfully won the bids for parcels of land with an area of approximately 2,310 mu (approximately 1,540,000 square meters) with a total consideration of approximately RMB809 million. Guishen Company has set up certain wholly-owned subsidiaries to hold and manage the land use rights of the parcels mentioned above.

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

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

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

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

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

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

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

### **4. Other Businesses**

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

For the purpose of resources integration, the Company obtained its control over Consulting Company by amending its articles of association during the Reporting Period. Consulting



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

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

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

During the year, each of the above business, in general, proceeded smoothly and has met the Group's expectation. Limited by the scales, the contributions from these businesses currently only account for a very small proportion of the Group's revenue and profit. For details of the other businesses of the Company during the Reporting Period, please refer to note V\33 to the Financial Statement in this announcement.

## **4.2 Financial Analysis**

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

YOY decrease of 5.10%. This was mainly due to a significant YOY decrease in profit from entrusted construction management services during the Reporting Period.

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

## (I) Analysis of Main Business

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

Unit: '000 Currency: RMB

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

#### 1. Analysis of Income and Cost

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

Unit: '000 Currency: RMB

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

**Description:**

❶ During 2015, the Group recorded a YOY increase of 0.21% in toll revenue, of which Qinglong Company had been consolidated into the Group's financial statements since 30 October 2015 and had contributed toll revenue of RMB105,895,000 during the Reporting Period. After excluding the effect of such factor, the Group recorded a YOY decrease of 3.31% in toll revenue, which is mainly due to the cancellation of toll collection for the Toll Free Section of Meiguan Expressway since 1 April 2014 and the fact that Qinglian Expressway, Yanpai Expressway and Yanba Expressway were affected by diversion of road networks, leading to respective YOY decreases in toll revenue. Benefitted from the natural growth of traffic volume, maintenance of neighbouring road sections and proactive marketing campaigns, the operational performance of other ancillary toll highways have all achieved considerable growth. Details of analysis of the operational performance of various projects during the Reporting Period are set out in the Business Review above. The income presented based on specific items is set out in point (1) below.

❷ Revenue from entrusted management services recorded a YOY decrease of RMB408,819,000, which is mainly due to the fact that the Group adjusted and recognised the revenue from the entrusted management services in respect of both Coastal Phase I and Guilong Project based on the actual settlement of works, the audit results of government departments and the progress of completion during 2014, resulting in a YOY decrease in the revenue from the entrusted management services of RMB210,391,000 and RMB183,142,000 respectively for the two projects. The management period of the entrusted construction management projects normally lasts for more than three years. During the respective periods, as affected by the changes of various factors including the scale of each project, progress of construction during the current period, contractual terms, audit results of government departments and settlement of works, the related services income and costs recognised may have a higher level of fluctuation.

❸ Consulting Company has been consolidated into the Group's financial statements since 1 July 2015 and contributed a revenue of RMB191,396,000 during the Reporting Period.

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

Unit: '000 Currency: RMB

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

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

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

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

## (2). Analysis of Cost

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

unit: '000 Currency: RMB

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

### Description:

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

⑤ Cost of entrusted construction management services mainly represents employee expenses related to the project management and other service cost arising from the audit results on the projects made by the government and the contractual commitment. The entrusted management cost recognised during the year primarily included the cost of construction management services of Coastal Phase I and Guilong Project, which amounted to RMB15,708,000 and RMB5,680,000 respectively, representing a decrease of RMB135,053,000 and RMB19,836,000 respectively as compared to the corresponding period of last year.

⑥ Consulting Company has been consolidated into the Group's financial statements since 1 July 2015, which has resulted in an increase in the cost of services of RMB143,284,000 during the Reporting Period.

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

## 2. Expenses

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

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

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

Unit: '000 Currency: RMB

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

During 2015, the Group's income tax expenses amounted to RMB177,177,000 (2014: RMB695,448,000), representing a YOY decrease of 74.52%. Such decrease was mainly attributable to the significant increase in taxable income as a result of the recognition of gains on disposal of Meiguan Assets in 2014 and the reduction of the carrying amount of deferred tax assets of Qinglian Company by RMB45,934,000 during the Reporting Period. Details of the Group's applicable income tax rate and income tax expenses for the year are set out in notes IV and V\41 to the Financial Statements in this announcement.

### 3. Investment Income

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

Unit: '000 Currency: RMB

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

Note: The recognised investment income resulting from the remeasurement of the equity interests held by Qinglong Company and Consulting Company prior to the acquisition date at fair value of RMB904,017,000, investment income from Guangdong UETC of RMB3,000,000 (2014: nil), investment income from Consulting Company of RMB2,286,000 (2014: RMB4,505,000) and investment income from United Land Company of RMB-2,738,000 (2014: RMB-877,000) were not included in the figures of investment income of the Group as set out in the above table. During the Reporting Period, GZ W2 Company adjusted and recognised the related income tax expenses in prior years in accordance with relevant requirements, resulting in a decrease in the Group's investment income of RMB24,548,000. Data of Shuiguan Expressway was the relevant data from January to October 2015. Details are set out in notes V\10 and 38 to the Financial Statements in this announcement.

#### 4. Non-operating Income

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

#### 5. Cash Flow

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

Based on the operating conditions of Qinglian Expressway in 2015 and the projected result of an independent professional traffic consultant on its traffic volume and revenue in the future, the Group estimates that it may not be able to generate enough taxable incomes in the foreseeable future that the deductible losses will be compensated for deduction of provision of the operating loss of deferred tax assets in prior years. According to the relevant requirements of the Accounting Standards for Business Enterprises, the Group reduced the carrying amount of deferred tax assets of Qinglian Company by RMB45,934,000 at the end of 2015, resulting in a decrease of the Group's net profit for the Reporting Period of RMB35,080,000.

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

### **(III) Analysis of Assets and Liabilities**

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

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

## 1. Analysis of Assets and Liabilities

Unit: '000 Currency: RMB

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

### Descriptions:

- (1) Prepayment from the Shenzhen government for compensation for the toll adjustment of three projects and consolidation of Consulting Company and Qinglong Company into the Group's financial statements.
- (2) Intended transfer of the entire equity interests and creditors' right of Guizhou Pengbo and 51% equity interests of Guizhou Hengtongli, the related assets will be classified as assets held for sale from advances to suppliers.
- (3) Receipt of the second instalment of compensation for toll adjustment of Meiguan Expressway in the amount of RMB0.8 billion.
- (4) Payment of relevant tax for the proceeds from pre-sale of commodity housing of Guilong Development Project.
- (5) The consolidation of Consulting Company into the financial statements has resulted in an increase in the Group's long-term advances to suppliers.
- (6) Receipt of the third instalment of compensation for toll adjustment of Meiguan Expressway in the amount of RMB1.2 billion.
- (7) The consolidation of Qinglong Company into the financial statements has resulted in an increase in the concession intangible assets of the Group.
- (8) The consolidation of Consulting Company into the financial statements has resulted in an increase in the Group's long-term prepaid expenses.
- (9) Receipt of deductible temporary differences arising from the compensation for toll adjustment of Meiguan Expressway and operating cost of the new ramp.
- (10) Additional capital contribution in Bank of Guizhou has been paid in the amount of RMB596 million, but the relevant equity change registration have not been completed.

- (11) The consolidation of Consulting Company into the financial statements has resulted in an increase in the Group's advances from customers and an increase in the proceeds from pre-sale of commodity housing of Guilong Development Project.
- (12) The consolidation of Consulting Company and Qinglong Company into the financial statements has resulted in an increase in the Group's employee benefits payable.
- (13) Payment of income tax related to the gains on disposal of Meiguan Assets.
- (14) Prepayment from the Shenzhen government for compensation for the toll adjustment of the Three Projects in 2016.
- (15) Corporate bonds due in 2016 in the amount of approximately RMB1.5 billion were classified as current portion of non-current liabilities. Also, part of the long-term borrowings and bonds fall due has been repaid during the Reporting Period.
- (16) Early repayment of part of the long-term bank borrowings.
- (17) Maintenance expenses of toll highways operated by subsidiaries were delayed as compared with the original plan.
- (18) The identifiable assets and liabilities of Qinglong Company are measured at the fair value on the date of consolidation, where part of asset premiums were recognised as deferred tax liabilities.
- (19) Prepayment from the Shenzhen government for compensation for the toll adjustment of the Three Projects (excluding received relevant compensation of toll adjustment in 2016).

## 2. Capital Structure and Debt Repayment Capability

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

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

## 3. Liquidity and Cash Management

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

During the Reporting Period, the Group received compensation for the toll adjustment of Meiguan Expressway of RMB2 billion and prepayment of compensation from the Shenzhen government for the toll adjustment of the Three Projects of RMB6.588 billion. Such funds were partly used as capital expenditure and replacement of existing borrowings during the year,

the remaining of which will be used to satisfy the Company's needs for development and operation in 2016. The Company has engaged in deposit value-added business with cooperative banks on the condition that both safety and liquidity of capital reserve can be assured. As at the end of the Reporting Period, the Group's cash was deposited in commercial banks, with no deposit in non-bank financial institutions or any amounts applied to investment in securities or entrusted wealth management.

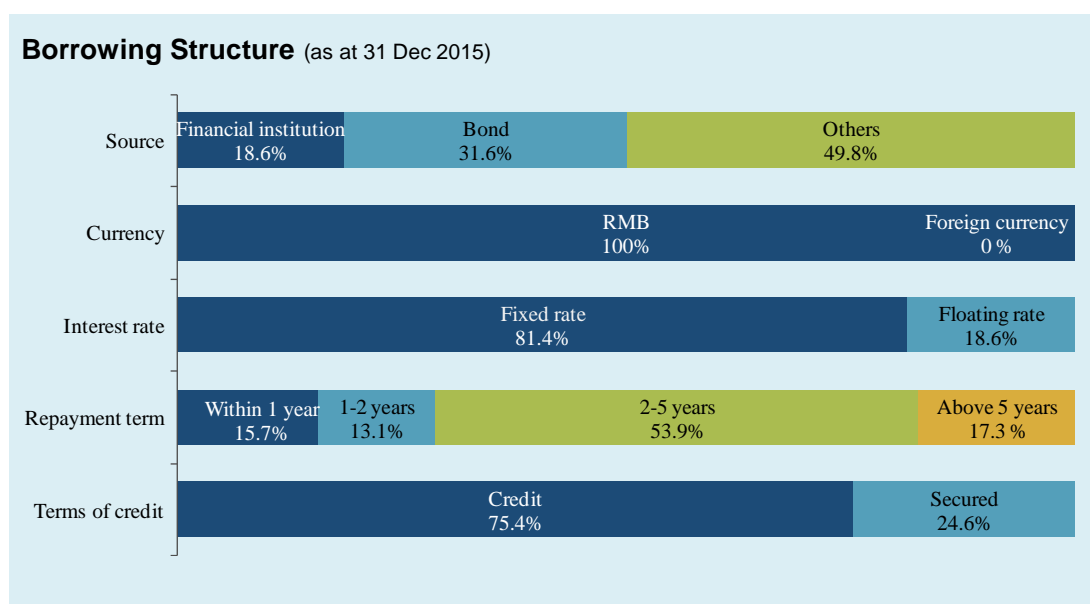
Unit: '000 Currency: RMB

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

#### 4. Financial Strategies and Financing Arrangements

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

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



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

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

## 5. Contingencies

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

### (IV) Analysis of the Investment

#### 1. General analysis on external investments

##### (1) Material equity investments

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

Unit: '000 Currency: RMB

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

## (2) Material non-equity investments

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

Unit: '000 Currency: RMB

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

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

Unit: '000 Currency: RMB

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

## **(VI) Proposed Profit Distribution**

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

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

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

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

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

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



### **4.3 Outlook and Plans**

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

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

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

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

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

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

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

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

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

resulting in the slight diversion on the traffic volume of Meiguan Expressway, and overall, having a positive impact on the traffic volume of the road networks in Shenzhen region.

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

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

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

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

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

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

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

### **(III) Operation Plans**

In 2016, the working goals and focuses for the Group are as follows:

- ☞ **Operating Targets:** Based on the reasonable analysis and expectation on our operating environment and operating conditions, the Group has set a total toll revenue target for 2016 of not less than RMB4.1billion, with the total of operating costs, management expenses and selling expenses (excluding depreciation and amortisation) of approximately RMB1.55billion. In 2016, it is expected that the average borrowing scale (including the received related compensation in advance from Shenzhen government regarding the toll adjustment of Three Expressways) and the financial cost of the Group will be higher on a YOY basis.
- ☞ **Toll Highway Business:** Deepen the internal management, enhance the overall operation management quality and operational service standard. Improve the operation management of inter-network toll collection in various aspects, including ensuring the stability and timeliness of the toll and clearing systems, as well as making amendment and verification for road network data models so as to provide support for decision-making. Adopt customised promotion and marketing strategies to meet the toll revenue target. Vigorously carry out the preventive maintenance works and pursue the concept of optimal maintenance cost control during the whole operation period through innovation in both technology and management.
- ☞ **Construction Management Business:** Improve construction efficiency and reduce cost by preparing preliminary organisation and planning and adopting standardised management for design of the projects. Improve the planning on tender management and regulate the preparation and review on tender documents and tender basis documents for the construction projects, enhance procedure control and management, and strengthen its control over changes in construction projects and establish a dynamic cost management system, so as to effectively control the construction cost of projects through standardised and refined contract management. Consolidate its experience in entrusted construction management to ensure the co-ordination for the collection of entrusted construction account receivables and actively explore opportunities to develop new entrusted construction business.

- ❧ **Project Development and Management:** Push forward the work progress of various activities related to Guilong Project. Successfully proceed the research and negotiations for the operation management mode for Coastal Project and the development mode for Meilin Checkpoint Renewal Project. Put more efforts in the research, reserves, selection and examination of both toll highway projects and new projects developed through exploration of new industries, as well as ongoing risk monitoring and management.
- ❧ **Financing and Financial Management:** Strengthen the management of the Group's financial resources and enhance the use of funding in a planned and prospective manner, so as to prevent capital risks. Conduct an in-depth research on diversification of the shareholder base and equity financing, establish a platform for domestic and overseas financing, make comparison and selection among various financing instruments and products, expand financing channel and lower capital cost. Comprehend the financial policies and the change in market condition in a timely manner, adjust the overall financing strategy and the execution plan in phases in due course so as to provide support for the implementation of new strategies.

#### (IV)Capital Expenditure Plan

As at the approval date of this report, the Group's capital expenditure plan mainly comprised investment in Outer Ring Project, construction settlements of projects such as reconstruction and expansion of Meiguan Expressway and investment in road properties and mechanical and electrical equipment of the highway sections operated by subsidiaries as well as the planned investments on associates. By the end of 2018, it is expected that the Group's total capital expenditure will amount to approximately RMB7.877 billion. The Group plans to satisfy such capital needs with its own capital and bank borrowings. According to the Directors' assessment, the Group's financial resources and financing capability are currently sufficient for satisfying the needs of various capital expenditures. The capital expenditure plan of the Group from 2016 to 2018 is as follows:

Unit: RMB'000 Currency: RMB

Project	2016	2017	2018	Total
1. Investment of intangible assets and fixed assets				
Outer Ring Project	758,940	2,623,360	2,259,110	5,641,410
Reconstruction and expansion of Meiguan Expressway	63,620	-	-	63,620
Qinglian Project	56,550	1,370	-	57,920
Nanguang Expressway	66,490	7,320	1,360	75,170
Other Projects (Investment in mechanical and electrical equipments, etc.)	96,920	-	-	96,920
2. Capital injection to associates				
United Land Company <sup>Note</sup>	1,896,300	-	-	1,896,300
Fameluxe Investment	46,000	-	-	46,000
<b>Total</b>	<b>2,984,820</b>	<b>2,632,050</b>	<b>2,260,470</b>	<b>7,877,340</b>

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

## **(V) Risk Management**

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

### **1. Policy Risk**

#### *Risk position / analysis:*

With the expansion of the inter-network toll collection, upgrade and reconstruction of the software and hardware of the toll collection system, including the setup of identification stations and upgrade of display devices and monitoring system, may be required on an ongoing basis. These measures can strengthen the current operation management, at the same time increase the Group's related investment in equipment and subsequent cost of maintenance and management. The Shenzhen government implemented, in phases, restrictive policies on automobile purchase, restriction on the use of non-local small passenger vehicles during certain time-slots and substantial increase in road parking charge to restrain the rapid growth of car ownership and reduce the rate of vehicle use. To some extent, negative impact on the current traffic volume and future traffic growth of regional road networks is expected accordingly. In addition, according to the related regulations on road and traffic safety management in Shenzhen, there is still a need to improve facilities such as lighting and monitoring system of the relevant road sections of the Group. The above policies will increase the investment and operational costs of the Company and exert greater pressure on management and coordination.

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

#### *Management / response measures:*

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

The Group will actively follow up and study the formulation, introduction and implementation

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

## **2. Market Risks**

### *Risk position / analysis:*

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

### *Management / response measures:*

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

## **3. Business Expansion Risks**

### *Risk position / analysis:*

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

risks of the Company. The Company also invested in Bank of Guizhou. The operating results and financial condition of which may be affected by unfavourable factors, including macroeconomic downturn, interest rate fluctuations and interest rate liberalisation, as well as challenges resulting from market competition.

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

***Management / response measures:***

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

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



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

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

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

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

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

#### **5. Operation Management Risks**

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

The expansion of the inter-network toll collection called for higher requirements on the stability of the toll collection system, accuracy and timeliness of data division and settlement system. Abnormality of the system and management procedure may lead to inaccuracy in data division and delay in settlement, which will thus affect the interests and market image of the Company. Moreover, upon the expansion of the toll collection network, the extent and degree of impact of toll evasion incidents such as gate crashing and fake cards and free pass as a result

of improper management have increased, which will result in a higher possibility of decrease in toll revenue.

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

***Management/response measures:***

The Group will timely handle the problems that arise in the toll collection procedure and analyse and summarise the reasons thereof, actively coordinate and contact with the related departments/units, system suppliers and other toll highway companies, optimise operation procedures, improve and increase the stability and reliability of the system, and assure efficiency and accuracy of the settlement. Through various measures such as standardising business operation, executing effective audit management, cooperation with police unit and media publicity, the Group will seek to prevent and stop toll evasion incidents, and fully utilise the provincial-wide inter-network database, so as to realise information sharing and improve management effectiveness.

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

## **V. Matters Related to Financial Statements**

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

#### ***Changes in Accounting Policies***

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

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

The details of the changes of accounting estimates of the Company were set out in note III\28 to the Financial Statements in this announcement. The above changes of accounting estimates were considered and approved at the twelfth meeting of the seventh session of the Board of the Company. For details, please refer to the announcements of the Company dated 29 January 2016 on the resolutions of the Board and the changes in accounting estimates.

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

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

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

In 2015, the subsidiaries newly consolidated into the scope of the Group's financial statements were included Guizhou Hengfengxin Property Company Limited, Guizhou Henghongda Property Company Limited, Guizhou Hengtongli Property Company Limited, Shenzhen Expressway Engineering Consulting Company Limited, Shenzhen Expressway Engineering Inspection Company Limited, Shenzhen Expressway Engineering information Company Limited, Fameluxe Investment Limited, Shenzhen Expressway Finance Limited and Shenzhen Qinglong Expressway Company Limited. For details, please refer to the note VI to the Financial Statement in this announcement.

## **5.4 The Consolidated Financial Statements and Notes for the Year 2015 of the Company are Set out in the Appendix to this Results Preliminary Announcement.**

## **5.5 Results Review**

The audit committee of the Company has reviewed and confirmed the financial statements and the annual report of the Company for the year 2015.

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

The figures in the 2015 Annual Results Preliminary Announcement have been agreed by the Company's auditors, PricewaterhouseCoopers Zhong Tian LLP ("PwC Zhong Tian"), to the amounts set out in the Company's audited consolidated financial statements for the year 2015. The work performed by PwC Zhong Tian in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC Zhong Tian on this results preliminary announcement.

## **VI. Other Matters**

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

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

## 6.2 Compliance with the Corporate Governance Code

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

## 6.3 Compliance with the Model Code

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

## VII. Definitions

<i>Meiguan Company</i>	Shenzhen Meiguan Expressway Company Limited
<i>Jihe East Company</i>	Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited
<i>Qinglian Company</i>	Guangdong Qinglian Highway Development Company Limited
<i>Magerk Company</i>	Hubei Magerk Expressway Management Private Limited
<i>Outer Ring Company</i>	Shenzhen Outer Ring Expressway Investment Company Limited
<i>Mei Wah Company</i>	Mei Wah Industrial (Hong Kong) Limited
<i>Coastal Company</i>	Shenzhen Guangshen Coastal Expressway Investment Company Limited
<i>Fameluxe Investment</i>	Fameluxe Investment Company Limited
<i>JEL Company</i>	Jade Emperor Limited
<i>Qinglong Company</i>	Shenzhen Qinglong Expressway Company Limited
<i>Investment Company</i>	Shenzhen Expressway Investment Company Limited
<i>Guishen Company</i>	Guizhou Guishen Investment Development Company Limited
<i>Shenzhen International</i>	Shenzhen International Holdings Limited
<i>XTC Company</i>	新通產實業開發(深圳)有限公司 (Xin Tong Chan Development (Shenzhen) Company Limited)
<i>Guizhou Yuelong</i>	Guizhou Yuelong Investment Company Limited
<i>Guizhou Property</i>	Guizhou Shenzhen Expressway Property Company Limited

<b>Advertising Company</b>	Shenzhen Expressway Advertising Company Limited
<b>United Land Company</b>	Shenzhen International United Land Co., Ltd.
<b>Consulting Company</b>	Shenzhen Expressway Engineering Consulting Company Limited
<b>Guangdong UETC</b>	Guangdong United Electronic Toll Collection Inc.
<b>BT (mode)</b>	Build-Transfer mode, refer to a kind of financing mode for non operating infrastructure construction projects by government using non-governmental funds, is also used to describe the process of project operation that the project be handed over to the owners upon general contracting, financing, construction acceptance by project company, and the owners pay the project total investment plus a reasonable return to investors.
<b>PPP (mode)</b>	Public-Private-Partnership mode, refer to a partnership on the basis of concession agreement for the construction of urban infrastructure projects or the provision of public goods and services between the government and private organizations. PPP mode ultimately makes both parties of the cooperation get more favorable results than those who act alone expected, by signing the contract to define the rights and obligations of both parties, to ensure the smooth completion of cooperation.
<b>Company</b>	Shenzhen Expressway Company Limited
<b>Group</b>	The Company and its consolidated subsidiaries
<b>Year, Reporting Period, Period</b>	The year ended 31 December 2015
<b>Reporting Date</b>	The date on which Annual Report 2015 of the Company is approved by the Board, i.e. 18 March 2016
<b>SSE</b>	The Shanghai Stock Exchange
<b>HKEx</b>	The Stock Exchange of Hong Kong Limited
<b>Listing Rules</b>	The Rules Governing the Listing of Securities on HKEx
<b>CASBE</b>	The Accounting Standards for Business Enterprises (2006) of the PRC and the specific accounting standards as well as relevant provisions issued later

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

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

Shenzhen, PRC, 18 March 2016

*As at the date of this announcement, the directors of the Company are Mr. HU Wei (Executive Director and Chairman of the Board), Mr. WU Ya De (Executive Director and President), Mr. WANG Zeng Jin (Executive Director), Mr. LI Jing Qi (Non-executive Director), Mr. ZHAO Jun Rong (Non-executive Director), Mr. TSE Yat Hong (Non-executive Director), Ms. ZHANG Yang (Non-executive Director), Mr. AU Sing Kun (Independent non-executive Director), Mr. LIN Chu Chang (Independent non-executive Director), Mr. HU Chun Yuan (Independent non-executive Director) and Mr. SHI Xian Liang (Independent non-executive Director).*

*This results preliminary announcement, which has been published on the website of HKEx at <http://www.hkexnews.com.hk>, only gives a summary of the information and particulars contained in the full “Annual Report 2015” of the Company. The “Annual Report 2015” of the Company containing all the information to accompany annual report required under Appendix 16 to the Listing Rules will be subsequently published on the website of HKEx in due course.*

Appendix:

**SHENZHEN EXPRESSWAY COMPANY LIMITED**

**Consolidated Financial Statements (including notes)**

**For the Year ended 31 December 2015**

**Shenzhen Expressway Company Limited**  
**Financial Statements**  
**For the year ended 31 December 2015**

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# Shenzhen Expressway Company Limited

## Consolidated Balance Sheet As at 31 December 2015 (All amounts in RMB unless otherwise stated)

Item	Note	31 December 2015	31 December 2014
<b>Current assets</b>			
Cash at bank and on hand	V.1	6,422,377,830.89	1,634,298,872.34
Accounts receivable	V.2	659,832,794.56	721,306,986.74
Advances to suppliers	V.3	242,115,831.87	236,721,569.18
Interest receivable		959,220.83	489,718.03
Other receivables	V.4	123,461,626.41	98,912,102.78
Inventories	V.5	648,713,256.36	534,747,975.10
Held-for-sale assets	V.6	169,004,404.40	-
Current portion of non-current assets	V.7	139,082,269.66	800,000,000.00
Other current assets		18,879,520.24	34,204.14
<b>Total current assets</b>		<b>8,424,426,755.22</b>	<b>4,026,511,428.31</b>
<b>Non-current assets</b>			
Long-term prepayments		6,850,959.00	3,814,521.00
Available-for-sale financial assets	V.8	30,170,000.00	30,170,000.00
Long-term receivable	V.9	68,710,261.56	1,291,779,890.93
Long-term equity investments	V.10	1,982,890,024.59	1,695,490,572.34
Investment properties		14,102,125.00	14,677,825.00
Fixed assets	V.11	1,156,211,660.69	1,031,397,945.38
Construction in progress	V.12	29,456,086.42	26,931,901.19
Intangible assets	V.13	19,271,775,774.01	16,154,661,734.98
Goodwill		1,543,560.21	-
Long-term prepaid expenses		10,980,369.76	2,384,813.62
Deferred income tax assets	V.14	77,617,511.95	51,503,576.27
Other non-current assets	V.15	595,920,000.00	-
<b>Total non-current assets</b>		<b>23,246,228,333.19</b>	<b>20,302,812,780.71</b>
<b>Total assets</b>		<b>31,670,655,088.41</b>	<b>24,329,324,209.02</b>
<b>Current liabilities</b>			
Short-term borrowings		-	23,667,000.00
Accounts payable	V.16	182,023,959.15	164,270,951.61
Advances from customers	V.17	232,847,835.82	18,321,684.85
Employee benefits payable	V.18	154,056,117.83	107,549,071.63
Taxes payable	V.19	258,044,934.34	529,265,388.87
Interest payable	V.20	118,790,435.51	102,381,629.53
Dividends payable		-	28,625,546.59
Other payables	V.21	1,325,053,997.31	935,704,622.38
Current portion of non-current liabilities	V.22	1,836,240,879.39	1,022,387,329.23
Deferred revenue	V.26	3,464,972.66	2,794,486.25
<b>Total current liabilities</b>		<b>4,110,523,132.01</b>	<b>2,934,967,710.94</b>
<b>Non-current liabilities</b>			
Long-term borrowings	V.23	2,201,928,764.00	3,898,864,000.00
Bonds payable	V.24	2,690,329,788.48	3,290,387,574.51
Provisions	V.25	125,239,600.71	88,745,908.12
Deferred revenue	V.26	174,680,489.68	162,850,000.00
Deferred income tax liabilities	V.14	1,339,812,592.32	773,462,469.63
Other non-current liabilities	V.27	6,067,060,199.11	59,873,950.68
<b>Total non-current liabilities</b>		<b>12,599,051,434.30</b>	<b>8,274,183,902.94</b>
<b>Total liabilities</b>		<b>16,709,574,566.31</b>	<b>11,209,151,613.88</b>
<b>Owners' equity</b>			
Share capital	V.28	2,180,770,326.00	2,180,770,326.00
Capital surplus	V.29	2,274,351,523.42	2,274,351,523.42
Other comprehensive income	V.30	893,605,520.32	893,604,159.01
Surplus reserve	V.31	1,915,883,968.12	1,884,591,029.74
Undistributed profits	V.32	5,104,281,635.31	4,564,264,823.15
<b>Total equity attributable to owners of the Company</b>		<b>12,368,892,973.17</b>	<b>11,797,581,861.32</b>
Minority interests	VII.1(2)	2,592,187,548.93	1,322,590,733.82
<b>Total owners' equity</b>		<b>14,961,080,522.10</b>	<b>13,120,172,595.14</b>
<b>Total liabilities and owners' equity</b>		<b>31,670,655,088.41</b>	<b>24,329,324,209.02</b>

The attached notes are an integral part of these financial statements

Legal representative: Hu Wei

Chief Financial Officer: Gong Taotao

Head of accounting department: Sun Bin

## Shenzhen Expressway Company Limited

### Balance Sheet

As at 31 December 2015

(All amounts in RMB unless otherwise stated)

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

The attached notes are an integral part of these financial statements

Legal representative: Hu Wei

Chief Financial Officer: Gong Taotao

Head of accounting department: Sun Bin

## Shenzhen Expressway Company Limited

### Consolidated Income Statement

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

The attached notes are an integral part of these financial statements

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

## Shenzhen Expressway Company Limited

### Income Statement

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

The attached notes are an integral part of these financial statements

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

## Shenzhen Expressway Company Limited

### Consolidated Cash Flow Statement

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

Item	Note	2015	2014
<b>1. Cash flows from operating activities</b>			
Cash received from rendering services		3,686,440,969.35	3,265,796,281.42
Tax refund received		122,411.45	-
Cash received relating to other operating activities	V.42(1)	297,963,315.24	244,269,942.55
<b>Sub-total of cash inflows</b>		3,984,526,696.04	3,510,066,223.97
Cash paid for goods and services		491,054,483.66	471,920,370.87
Cash paid to and on behalf of employees		383,899,841.39	300,009,084.70
Payments of taxes and surcharges		891,866,403.40	408,908,252.61
Cash paid relating to other operating activities	V.42(2)	446,200,837.27	535,473,233.50
<b>Sub-total of cash outflows</b>		2,213,021,565.72	1,716,310,941.68
<b>Net cash flows from operating activities</b>	V.43(1)	1,771,505,130.32	1,793,755,282.29
<b>2. Cash flows from investing activities</b>			
Cash received from disposal of investments		16,568,744.77	12,763,473.60
Cash received from returns on investments		154,400,989.32	82,470,749.68
Net cash received from disposal of fixed assets, intangible assets and other non-current assets		1,572,160,573.05	726,468,602.05
Cash received relating to other investing activities	V.42(3)	256,773,809.68	17,867,369.27
<b>Sub-total of cash inflows</b>		1,999,904,116.82	839,570,194.60
Cash paid to acquire fixed assets, intangible assets and other non-current assets		128,354,455.66	312,902,589.45
Net cash paid to acquire subsidiaries and other business units	V.42(4)	1,285,601,947.38	29,400,000.00
Cash paid relating to other investing activities		2,324,780.00	2,400,000.00
<b>Sub-total of cash outflows</b>		1,416,281,183.04	344,702,589.45
<b>Net cash flows from investing activities</b>		583,622,933.78	494,867,605.15
<b>3. Cash flows from financing activities</b>			
Cash received from capital contributions		-	60,265,952.56
Including: Cash received from capital contributions by minority shareholders of subsidiaries		-	60,265,952.56
Cash received from borrowings		810,000,000.00	55,141,000.00
Cash received from issuance of bonds		897,570,000.00	994,250,000.00
Cash received relating to other financing activities	V.42(5)	6,588,000,000.00	-
<b>Sub-total of cash inflows</b>		8,295,570,000.00	1,109,656,952.56
Cash repayments of borrowings		4,174,467,000.00	2,307,675,160.00
Cash payments for interest expenses and distribution of dividends or profits		1,548,529,495.06	891,608,608.38
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		115,908,236.22	58,201,067.18
Cash payments relating to other financing activities		1,548,009.44	33,380,179.79
<b>Sub-total of cash outflows</b>		5,724,544,504.50	3,232,663,948.17
<b>Net cash flows from financing activities</b>		2,571,025,495.50	-2,123,006,995.61
<b>4. Effect of foreign exchange rate changes on cash and cash equivalents</b>		-316,390.91	-97,657.56
<b>5. Net increase in cash and cash equivalents</b>		4,925,837,168.69	165,518,234.27
Add: Cash and cash equivalents at beginning of year		1,255,154,897.37	1,089,636,663.10
<b>6. Cash and cash equivalents at end of year</b>	V.43(2)	6,180,992,066.06	1,255,154,897.37

The attached notes are an integral part of these financial statements

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

## Shenzhen Expressway Company Limited

### Cash Flow Statement

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

The attached notes are an integral part of these financial statements

Legal representative: Hu Wei

Chief Financial Officer: Gong Taotao

Head of accounting department: Sun Bin

**Shenzhen Expressway Company Limited**

**Consolidated Statement of Changes in Owners' Equity  
For the year ended 31 December 2015**

(All amounts in RMB unless otherwise stated)

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

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

The attached notes are an integral part of these financial statements

Legal representative: Hu Wei

Chief Financial Officer: Gong Taotao

Head of accounting department: Sun Bin

## Shenzhen Expressway Company Limited

### Statement of Changes in Owners' Equity For the year ended 31 December 2015 (All amounts in RMB unless otherwise stated)

Item	2015				
	Share capital	Capital surplus	Surplus reserve	Undistributed profits	Total owners' equity
1. Ending balance on 31 December 2014	2,180,770,326.00	2,315,587,934.74	1,884,591,029.74	4,217,315,471.69	10,598,264,762.17
2. Movements for the year ended 31 December 2015	-	-	31,292,938.38	-699,710,201.23	-668,417,262.85
(1) Total comprehensive income	-	-	-	312,929,383.85	312,929,383.85
Net profit	-	-	-	312,929,383.85	312,929,383.85
(2) Profit distribution	-	-	31,292,938.38	-1,012,639,585.08	-981,346,646.70
Appropriation to surplus reserves	-	-	31,292,938.38	-31,292,938.38	-
Profit distribution to equity owners	-	-	-	-981,346,646.70	-981,346,646.70
3. Ending balance on 31 December 2015	2,180,770,326.00	2,315,587,934.74	1,915,883,968.12	3,517,605,270.46	9,929,847,499.32

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

The attached notes are an integral part of these financial statements

Legal representative: Hu Wei

Chief Financial Officer: Gong Taotao

Head of accounting department: Sun Bin



## **Shenzhen Expressway Company Limited**

### **Notes to financial statements**

**For the year ended 31 December 2015**

(All amounts in RMB unless otherwise stated)

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

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

Shenzhen Expressway Company Limited (the “Company”) was established as a joint stock limited company in the People’s Republic of China (the “PRC”) on 30 December 1996. The principal activities of the Company and its subsidiaries (collectively the “Group”) are the construction, operation and management of toll highways and expressways in the PRC.

The address of the registered office and head office of the Company is 2-4/F, Jiangsu Building, Yitian Road, Futian District, Shenzhen, the PRC.

Shenzhen International Holdings Limited (“Shenzhen International”) is the parent company of the Company and Shenzhen Investment Holdings Company Limited (“SIHCL”) is the ultimate controlling company of the Company.

The Company has its H shares and A shares listing on the Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange of the PRC, respectively.

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

The detailed information of principal subsidiaries consolidated during the year is disclosed in Note VII.1(1). The Group started to consolidate Guizhou Hengfengxin Property Company Limited (“Hengfengxin Company”), Guizhou Henghongda Property Company (“Henghongda Company”), Guizhou Hengtongli Property Company (“Hengtongli Company”), Shenzhen Expressway Engineering Consulting Company Limited (“Consulting Company”), Shenzhen Expressway Engineering Testing Company Limited (“Testing Company”), Shenzhen Expressway Engineering Information Company Limited (“Information Company”), Shenzhen Expressway Finance I Limited, Fameluxe Investment Company Limited (“Fameluxe Company”), and Shenzhen Qinglong Expressway Company Limited (“Qinglong Company”), detailed information is disclosed in Note VI.1 and 2.

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

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

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

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

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

The financial statements are prepared on a going concern basis.

## **Shenzhen Expressway Company Limited**

### **Notes to financial statements**

**For the year ended 31 December 2015**

(All amounts in RMB unless otherwise stated)

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

Specific accounting policies and accounting estimates abstracts:

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

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

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

The financial statements for the year ended 31 December 2015 are in compliance with the Chinese Accounting Standards, and truly and completely present the consolidated and the Company's state of affairs as of 31 December 2015 and the consolidated and the Company's operating results, cash flows and other information for the year then ended.

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

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

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

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

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

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

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

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

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

## **Shenzhen Expressway Company Limited**

### **Notes to financial statements**

**For the year ended 31 December 2015**

(All amounts in RMB unless otherwise stated)

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

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

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

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

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

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

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

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

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

#### **8. Foreign currency transaction translation**

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

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

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

#### 9. Financial instruments

##### (1). Financial assets

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

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

###### Receivables

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

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

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

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

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

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

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

## **Shenzhen Expressway Company Limited**

### **Notes to financial statements**

**For the year ended 31 December 2015**

(All amounts in RMB unless otherwise stated)

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

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

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

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

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

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

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

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

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

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

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

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

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

## **Shenzhen Expressway Company Limited**

### **Notes to financial statements**

**For the year ended 31 December 2015**

(All amounts in RMB unless otherwise stated)

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

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

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

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

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

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

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

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

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

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

#### **10. Receivables**

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

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

#### 10. Receivables (Continued)

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

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

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

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

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

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

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

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

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

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

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

#### 10. Receivables (Continued)

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

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

#### 11. Inventories

##### (1). Classification

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

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

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

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

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

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

#### 12. Held for sale

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

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

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



## **Shenzhen Expressway Company Limited**

### **Notes to financial statements**

**For the year ended 31 December 2015**

(All amounts in RMB unless otherwise stated)

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

#### **13. Long-term equity investments**

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

Subsidiaries are the investees over which the Company is able to exercise control. Joint ventures are the investees over which the Group is able to exercise joint control together with other venturers.

Associates are the investees that the Group has significant influence on their financial and operating policies.

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

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

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

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

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

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

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

For long-term equity investments accounted for using the equity method, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group discontinues recognising its share of net losses of an investee after the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues recognising the investment losses and the provisions. For changes in owners' equity of the investee other than those arising from its net profit or loss, the Group records its proportionate share directly into capital surplus, provided that the Group's proportion of shareholding in the investee remains unchanged. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by an investee. The unrealised profits or losses arising from the intra-group transactions amongst the Group and its investees are eliminated in proportion to the Group's equity interest in the investees, and then based on which the investment gains or losses are recognised. For the loss on the intra-group transaction amongst the Group and its investees attributable to asset impairment, any unrealised loss is not eliminated.

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

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

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

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

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

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

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

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

#### 14. Investment properties

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

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

	Estimated useful lives	Estimated residual value rate	Annual amortisation rate
Car parking spaces	30 years	-	3.33%

When an investment property is transferred to an owner-occupied property, it is reclassified as fixed asset or intangible asset at the date of the transfer. When an owner-occupied property is transferred for earning rentals or for capital appreciation, the fixed asset or intangible asset is reclassified as investment property at its carrying amount at the date of the transfer.

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

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

#### 14. Investment Properties (Continued)

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

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

#### 15. Fixed assets

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

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

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

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

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

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

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

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

## **Shenzhen Expressway Company Limited**

### **Notes to financial statements**

**For the year ended 31 December 2015**

(All amounts in RMB unless otherwise stated)

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

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

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

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

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

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

#### **16. Construction in progress**

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

#### **17. Borrowing costs**

The borrowing costs that are directly attributable to the acquisition and construction of a fixed asset that needs a substantially long period of time of acquisition and construction for its intended use commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use, the borrowing costs incurred thereafter are recognised in profit or loss for the current year. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

For the specific borrowings obtained for the acquisition or construction of a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by deducting any interest income earned from depositing the unused specific borrowings in the banks or any investment income arising on the temporary investment of those borrowings during the capitalisation period.

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

## **Shenzhen Expressway Company Limited**

### **Notes to financial statements**

**For the year ended 31 December 2015**

(All amounts in RMB unless otherwise stated)

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

#### **18. Intangible assets**

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

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

Concession intangible assets refer to the rights granted by the respective concession grantors, which entitle the Group to receive the toll fees from users and land use right obtained in conjunction with the concession arrangement. Rather than provide construction services by itself, the Group subcontracts all the infrastructure construction to other parties, concession intangible assets are therefore measured at actual cost, which comprises construction related costs and borrowing costs that are eligible for capitalisation and incurred before the toll roads are ready for their intended use. The concession intangible assets are first stated at actual project costs or budget costs and then adjusted when project completion audit are finalised.

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

When toll roads are ready for their intended use, amortisation of concession intangible assets is calculated to write off their costs on a units-of-usage basis ("unit usage"), whereby amortisation is provided based on the proportion of actual traffic volume of a particular period over the total projected traffic volume throughout the operation periods.

The Company assesses of the total projected traffic volume annually. The Group will appoint an independent professional traffic consultant to perform independent professional traffic studies when material difference exists and probably endures or every 3 to 5 years and then prospectively adjust the amortisation unit according to the revised total projected traffic volume, to ensure that the relative concession intangible assets would be fully amortised in the operation periods.

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

#### 18. Intangible assets (Continued)

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

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

Item	Operating period	The unit usage (RMB)
Yanba Expressway	April 2001 to April 2026 (Section A), July 2003 to July 2028 (Section B), March 2010 to March 2035 (Section C) (Note V.27)	3.98
Yanpai Expressway	May 2006 to March 2027 (Note V.27)	1.49
Meiguan Expressway	May 1995 to March 2027	0.84
Shenzhen Airport-Heao Expressway (Western Section)	May 1999 to March 2027	0.78
Nanguang Expressway	January 2008 to January 2033 (Note V.27)	4.22
Shenzhen Airport-Heao Expressway (Eastern Section)	October 1997 to March 2027	3.49
Wuhuang Expressway	September 1997 to September 2022	6.52
Qinglian Expressway	July 2009 to July 2034	25.19
Shuiguan Expressway	Mar 2002 to Jan 2026	5.86

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

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

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

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

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

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

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

## **Shenzhen Expressway Company Limited**

### **Notes to financial statements**

**For the year ended 31 December 2015**

(All amounts in RMB unless otherwise stated)

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

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

Fixed assets, construction in progress, intangible assets with finite useful lives, investment properties measured using the cost model and long-term equity investments in subsidiaries, joint ventures and associates are tested for impairment if there is any indication that an asset may be impaired at the balance sheet date. Intangible asset that is not ready for its intended use is tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Goodwill that is separately presented in the financial statements is tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. In conducting the test, the carrying value of goodwill is allocated to the related asset groups or groups of asset groups which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or group of asset groups, including the goodwill allocated, is lower than its carrying amount, the corresponding impairment loss is recognised. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the carrying amounts of other assets within the asset groups or groups of asset groups in proportion to the carrying amounts of other assets.

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

#### **20. Long-term prepaid expenses**

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

#### **21. Employee benefits**

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

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

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

## **Shenzhen Expressway Company Limited**

### **Notes to financial statements**

**For the year ended 31 December 2015**

(All amounts in RMB unless otherwise stated)

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

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

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

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

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

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

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

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

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

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

#### **22. Provisions**

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



## **Shenzhen Expressway Company Limited**

### **Notes to financial statements**

**For the year ended 31 December 2015**

(All amounts in RMB unless otherwise stated)

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

#### **22. Provisions (Continued)**

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

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

#### **23. Dividends distribution**

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

#### **24. Revenue recognition**

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

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

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

**(2).** For construction management services income, when the outcome of the construction management services can be estimated reliably, related income is recognised using the percentage of completion method and the stage of completion is measured by making reference to the project construction costs and related management expenses incurred to date as a percentage to the total estimated construction costs and management expenses. When the outcome of the construction management services cannot be estimated reliably, construction management services income is recognised at the same amount of project management expenses incurred only to the extent that such expenses are probable to be recovered.

**(3).** For the service concessions contracts entered with the government departments, according to which the Group participates in developing, financing, operating and maintenance of the toll road construction, the Group recognised revenue and cost of services using the percentage of completion method during the construction period if the Group undertake the construction work on its own. The stage of completion is measured by reference to construction costs of the related infrastructures incurred up to the settlement date as a percentage of total estimated costs for each contract. No construction services income would be recognised if the Group sub-contract the work to other parties.

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

#### 24. Revenue recognition (Continued)

(4). Revenue from construction consulting services is recognised based on the percentage of completion of the contract, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably as at the balance sheet date. The percentage of completion is estimated by reference to the percentage of work completed, or to the percentage of services provided, or to the costs incurred to date as compared to the total costs to be incurred under the contract. When the outcome of the services provided cannot be estimated reliably, services income is recognised at the same amount of service costs incurred only to the extent that such expenses are probable to be recovered.

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

(6). Interest income is determined by using the effective interest method, based on the length of time for which the Group's cash is used by others.

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

#### 25. Government grants

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

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

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

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

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

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

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

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

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

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

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

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

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

Deferred income tax assets and liabilities are offset when:

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

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

##### Segment information

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

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

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

#### 28. Changes in significant accounting estimates

Details and reasons for changes in accounting estimates	Procedures for approval	Effective date	Note (Financial statement items and amounts affected)
Changes in accounting estimates of deferred income tax assets	Approved by the Board of Directors of the Company on 29 Jan 2016	31 December 2015	(1)

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

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

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

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

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

## **Shenzhen Expressway Company Limited**

### **Notes to financial statements**

**For the year ended 31 December 2015**

(All amounts in RMB unless otherwise stated)

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

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

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

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

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

As stated in Note III.24(2), when the outcome of the construction management services can be estimated reliably, related income is recognised using the percentage of completion method.

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

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

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

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

The directors perform periodic assessment on the total projected traffic volume. The Group will appoint an independent professional traffic consultant to perform independent professional traffic studies and make an appropriate adjustment if there is a material difference between projected and actual traffic volume. The Group appointed independent professional traffic consultants to perform independent professional traffic studies on its main toll roads in 2006, 2010, 2013, 2014 and 2015 and prospectively adjusted the amortisation unit according to the revised total projected traffic volume.

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

## **Shenzhen Expressway Company Limited**

### **Notes to financial statements**

**For the year ended 31 December 2015**

(All amounts in RMB unless otherwise stated)

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

#### **29. Other critical accounting estimates and judgments (Continued)**

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

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

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

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

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

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

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

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

In accordance with the accounting policies mentioned in Note III.19, the Group would perform impairment test for intangible assets if there is any indication that an asset may be impaired at the balance sheet date. Because there was an indication that Qinglian Expressway suffered an impairment loss in the current year, the Company assessed its recoverable amount of the concession intangible assets and provision for impairment losses has been made for the concession intangible assets of Qinglian Expressway in the consolidated financial statements of 2015 amounting to RMB 620 million. Provision for impairment losses has been made for long-term equity investments in the Company financial statements of 2015 amounting to RMB 680 million.

## **Shenzhen Expressway Company Limited**

### **Notes to financial statements**

**For the year ended 31 December 2015**

(All amounts in RMB unless otherwise stated)

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

#### **29. Other critical accounting estimates and judgments (Continued)**

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

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

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

In the current year, the Group acquired additional 10% interests in Qinglong Company by acquiring 100% equity interests in Fameluxe Company at a preliminary cash consideration of RMB 280 million. After completion of the transaction, the Company will directly and indirectly hold an aggregate of 50% equity interests of Qinglong Company. Please refer to Note VI.2 for acquisition details. In accordance with the policies mentioned in Note III.5(1), identifiable net assets acquired shall be measured at fair value at the acquisition date.

The Company assessed the fair value of the identifiable net assets acquired based on the projected traffic volume of Shuiguan Expressway estimated by an independent professional traffic volume consultant and the valuation of Shuiguan Expressway performed by independent evaluation consultant, as well as triggering condition for consideration adjustment in purchase agreement: 1) Qinglong Company and the local government authority enter into an agreement in relation to the traffic management arrangement and adjustment scheme of Shuiguan Expressway on or before 31 December 2016, and if the comparable price is lower the preliminary consideration; 2) from the date of signing of the share transfer agreement to 31 December 2016, the aforesaid adjustment agreement is not yet entered into and the relevant government authorities failed to grant the approval for the extension application of Shuiguan Expressway, or if the extension period of concession granted under the approval is shorter than five years. Based on available information and data, the Company made the best estimate that Qinglong Company was probable to obtain an approval of additional 4 tolling years before 31 December 2016, and the acquisition consideration of the 10% interests was estimated at RMB 266 million. Therefore, the fair value of 50% equity shares of Qinglong Company was approximately RMB 1,330 million, of which RMB 900 million was recognised as investment income on income statement as an increase of the fair value of the 40% equity shares originally held by the Company (Note VI.2).

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

#### IV. Taxation

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

Category	Tax base	Tax rate
Corporate income tax ("CIT")	Taxable income	IV.2
Business tax	Revenue from expressway toll road business	3%
Business tax	Revenue from businesses other than expressway toll road	5%
City maintenance and construction tax	Amount of business tax paid	7%
Educational surcharge	Amount of business tax paid	3%
Local educational surcharge	Amount of business tax paid	2%
Construction fee for culture undertakings	Amount of revenue from advertisement business	3%
Value added tax	Taxable advertisement income and non-construction consulting service	6%

##### 2. Others

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

	Applicable tax rate
Mei Wah Industrial (Hong Kong) Limited ("Mei Wah Company") (1)	25%
Maxprofit Gain Limited ("Maxprofit Company") (1)	25%
Jade Emperor Limited ("JEL Company") (1)	25%
Fameluxe Company (2)	16.5%
Consulting Company (3)	15%
Testing Company (3)	15%
Shenzhen Expressway Finance I Limited (5)	NA
The Company and other subsidiaries	25%

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

(2). Fameluxe Company is incorporated in Hongkong with the applicable income tax rate of 16.5%.

(3). Consulting Company and Testing Company were reviewed and determined as national high and new tech enterprises by Science and Technology Bureau of Shenzhen respectively in 2013 and 2015, respectively. In accordance with requirements of the Administrative Measures for Determination of High and New Tech Enterprises ("Guo Ke Fa (2008) No. 172") and Corporate Income Tax Law and the accompanying Implementation, Consulting Company and Testing Company were entitled to the preferential corporate income tax at the rates of 15% for 3 years as from 2013 and 2015, respectively.

(4). According to the Notice of Tax Matters ("Long Di Shui (2015) No.24") issued by Local Tax Bureau of Longli County, Guizhou Province in 2015, Guishen Company, the subsidiary of the Company, is entitled to CIT verification collection method for the period from 1 January 2015 to 31 December 2015 and the taxable income is calculated at 8% of total revenue for the period from 1 January 2015 to 31 December 2015.



## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

#### IV. Taxation (Continued)

##### 2. Others (Continued)

(5). Shenzhen Expressway Finance I Limited is incorporated in British Virgin Islands, where the company is exempt from cooperate income tax.

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

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

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

The Company has been engaged to manage certain highway construction projects. As at 31 December 2015, project funds retained for construction management were RMB241,385,764.83 (31 December 2014: RMB379,143,974.97). Cash on hand amounts was RMB59,336.00, and bank deposits were RMB241,326,428.83. No bank balances have been frozen due to dispute. The above project funds retained for construction management and frozen bank balances(if any) were disclosed as restricted bank balances in the cash flow statement (Note V.43(2)).

##### 2. Accounts receivable

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

Category	31 December 2015					31 December 2014				
	Ending balance		Provision for bad debts		Book value	Ending balance		Provision for bad debts		Book value
	Amount	% of total balance	Amount	Ratio		Amount	% of total balance	Amount	Ratio	
Individually significant and provision separately assessed	-	-	-	-	-	-	-	-	-	-
Provision assessed collectively	659,832,794.56	100.00	-	-	659,832,794.56	721,306,986.74	100.00	-	-	721,306,986.74
Group 1	497,600,067.69	75.41	-	-	497,600,067.69	660,438,689.36	91.56	-	-	660,438,689.36
Group 2	162,232,726.87	24.59	-	-	162,232,726.87	60,868,297.38	8.44	-	-	60,868,297.38
Individually not significant but provision separately assessed	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>659,832,794.56</b>	-	-	-	<b>659,832,794.56</b>	<b>721,306,986.74</b>	-	-	-	<b>721,306,986.74</b>

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

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

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

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

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

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

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

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

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

##### 3. Advances to suppliers

As at 31 December 2015, the amount represents payment of land transfer fund and related deed taxes paid by Guishen Company, a subsidiary of the Company, as a result of tendering for a land use right of a piece of land located in Longli County, Guizhou Province with an area of approximately 613.2 acres. The amount was recorded as advances to suppliers as the delivery conditions laid down in the acquisition contract had not been met. The Company plans to transfer the land use right in open market or develop the land on its own or through cooperation with other parties.

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

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

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

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

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

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

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

##### 4. Other receivables

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

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

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

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

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

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

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

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

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

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

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

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

##### 5. Inventories

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

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

###### (2). Borrowing costs capitalisation

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

##### 6. Held-for-sale assets

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

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

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

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

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

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

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

Item	31 December 2015			31 December 2014		
	Carrying amount	Allowance for impairment	Net book amount	Carrying amount	Allowance for impairment	Net book amount
Available-for-sale equity instrument:						
- Measured at cost	30,170,000.00	-	30,170,000.00	30,170,000.00	-	30,170,000.00
<b>Total</b>	<b>30,170,000.00</b>	<b>-</b>	<b>30,170,000.00</b>	<b>30,170,000.00</b>	<b>-</b>	<b>30,170,000.00</b>

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

Investee	Carrying amount				Allowance for impairment		Share holding(%)	Cash dividends during the year
	Opening balance	Additional during the year	Deduction during the year	Closing balance	Opening balance	Closing balance		
United Electronic Company	30,170,000.00	-	-	30,170,000.00	-	-	15	3,000,000.00
<b>Total</b>	<b>30,170,000.00</b>	<b>-</b>	<b>-</b>	<b>30,170,000.00</b>	<b>-</b>	<b>-</b>	<b>15</b>	<b>3,000,000.00</b>

As at 31 December 2015 and 31 December 2014, available-for-sale financial assets represented the Company's investment in 15% of United Electronic Company's equity interests. Since such unlisted equity share did not have a quoted market price in an active market, there is a very large range of variations in its reasonable fair value estimate, as well as the types of probability data, used for determining the fair value, the fair value of the available-for-sale financial assets cannot be reliably measured. Hence it is measured at cost. The Group does not have any plan to dispose the available-for-sale financial assets.

##### 9. Long-term receivables

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

(a) The Longli BT Project was completed by the end of 2014, which was constructed by the Company's subsidiary Guishen Company. As at 31 December 2015, due from Guizhou Longli County Government in relation to the project management services provided to Longli BT Project is RMB1.42 billion, inclusive RMB0.86 million will be received within a year.

(b) The Company, Meiguan Company (a subsidiary of the Company) entered into an "Agreement on the compensation of the adjustment of Meiguan Expressway and transfer of related assets" (the "Adjustment Agreement") with Shenzhen Transportation Bureau and Shenzhen Longhua New Area Administrative Committee who represented the People's Government of Shenzhen on 27 January 2014. Pursuant to this Adjustment Agreement, the Company implemented toll-free for section from Meilin to Guanlan of Meiguan Expressway with a distance measured at approximately 13.8 km ("Toll Free Section") from the midnight of 31 March 2014. The People's Government of Shenzhen undertook to make cash compensation to the Company. The balance represented the compensation receivables and related interest income from Shenzhen Municipal Government as of 31 December 2015, which is expected to be settled in 2016.

(c) Interest income recognized during the year using effective interest method was RMB104,392,522.20(2014: RMB90,163,340.16).

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

#### 10. Long-term equity investments

Investee	31 December 2014	Current year movement					31 December 2015	Voting rights held (%)	Impairment provided in the current year
		Additional injection	Investment income/loss recognised under equity pick-up method	Cash dividend declared	Investment cost recovered	Investment cost transferred			
<b>Joint ventures</b>									
Changsha Shenchang Expressway Company Limited ("Shenchang Company")	158,764,459.37	-	13,822,650.42	-11,111,979.86	-	-	161,475,129.93	51	-
Gansu Highway Aviation Tourism Engineering Consulting Company Limited	-	4,103,978.37	-	-	-	-	4,103,978.37	40	-
Sub-total	158,764,459.37	4,103,978.37	13,822,650.42	-11,111,979.86	-	-	165,579,108.30		-
<b>Associates</b>									
Qinglong Company(3)	222,785,937.92	-	73,041,973.11	-131,558,858.33	-	-164,269,052.70	-	40	-
Consulting Company(3)	22,894,198.93	-	2,286,158.17	-	-	-25,180,357.10	-	24	-
Shenzhen Huayu Expressway Investment Company ("Huayu Company")	45,801,975.84	-	2,162,630.77	-	-	-	47,964,606.61	40	-
Guangdong Jiangzhong Expressway Company Limited ("Jiangzhong Company")	298,370,999.28	-	10,998,348.76	-10,450,000.00	-	-	298,919,348.04	25	-
Nanjing Yangtze River Third Bridge Company Limited ("Nanjing Third Bridge Company")	288,805,363.87	-	31,733,682.65	-23,114,868.52	-	-	297,424,178.00	25	-
Guangdong Yangmao Expressway Company Limited ("Yangmao Company")	273,717,113.35	-	79,685,155.78	-65,000,000.00	-	-	288,402,269.13	25	-
Guangzhou Western Second Ring Expressway Company Limited ("GZ W2 Company")	243,779,553.06	-	-450,481.59	-4,292,885.71	-	-	239,036,185.76	25	-
Yunfu Guangyun Expressway Company Limited ("Guangyun Company")	112,047,521.39	-	37,431,255.21	-37,431,255.22	-16,568,744.77	-	95,478,776.61	30	-
Shenzhen International Joint Land Company Limited ("Joint Land Company")	28,523,449.33	524,300,000.00	-2,737,897.19	-	-	-	550,085,552.14	49	-
Sub-total	1,536,726,112.97	524,300,000.00	234,150,825.67	-271,847,867.78	-16,568,744.77	-189,449,409.80	1,817,310,916.29		-
<b>Total</b>	<b>1,695,490,572.34</b>	<b>528,403,978.37</b>	<b>247,973,476.09</b>	<b>-282,959,847.64</b>	<b>-16,568,744.77</b>	<b>-189,449,409.80</b>	<b>1,982,890,024.59</b>		-

- (1). The places of registration and main business of Shenchang Company are both located in the PRC. According to the joint venture contracts and articles of incorporation of Shenchang Company, the principal financial and operating decisions of Shenchang Company shall be made based on the common consent of both investing parties. As a result, Shenchang Company is deemed as the Company's joint venture and is accounted for using equity method.
- (2). The equity interest and voting right held in associates are the same.
- (3). Consulting Company and Qinglong Company became subsidiaries since 1 July and 30 October 2015, respectively(Note VI. 2).

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

##### 11. Fixed assets

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

Item	Buildings	Traffic equipment	Motor vehicles	Office and other equipment	Total
<b>I. Cost</b>					
1. 31 December 2014	614,134,498.45	1,169,714,432.53	30,016,219.18	54,599,564.27	1,868,464,714.43
2. Current year additions	99,194,944.48	131,030,385.38	9,220,049.83	27,026,524.07	266,471,903.76
(1) Purchase	3,038,226.69	26,002,644.21	2,982,684.04	13,411,606.21	45,435,161.15
(2) Transfers from construction in progress	1,772,232.05	34,366,767.97	-	268,678.00	36,407,678.02
(3) Addition from acquisition of a subsidiary	94,384,485.74	70,660,973.20	6,237,365.79	13,346,239.86	184,629,064.59
3. Current year reductions	398,993.60	6,302,533.51	1,305,469.10	1,081,892.60	9,088,888.81
(1) Other disposal	398,993.60	6,302,533.51	1,305,469.10	1,081,892.60	9,088,888.81
4. 31 December 2015	712,930,449.33	1,294,442,284.40	37,930,799.91	80,544,195.74	2,125,847,729.38
<b>II. Accumulated depreciation</b>					
1. 31 December 2014	168,143,688.93	603,519,782.52	22,448,880.39	42,954,417.21	837,066,769.05
2. Current year additions	26,179,835.47	101,653,821.55	3,698,835.50	6,320,036.92	137,852,529.44
(1) addition	26,179,835.47	101,653,821.55	3,698,835.50	6,320,036.92	137,852,529.44
3. Current year reductions	362,065.26	3,615,750.34	448,647.75	856,766.45	5,283,229.80
(1) Other reductions	362,065.26	3,615,750.34	448,647.75	856,766.45	5,283,229.80
4. 31 December 2015	193,961,459.14	701,557,853.73	25,699,068.14	48,417,687.68	969,636,068.69
<b>III. Net book value</b>					
31 December 2015	518,968,990.19	592,884,430.67	12,231,731.77	32,126,508.06	1,156,211,660.69
31 December 2014	445,990,809.52	566,194,650.01	7,567,338.79	11,645,147.06	1,031,397,945.38

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

Item	Carrying amount	Reason for lacking certificates of ownership
Buildings	393,729,090.32	As all toll roads and the affiliated buildings and structures would be returned to the government when the approved operating periods expire, the Group has no intention to acquire the related property ownership certificates.

In 2015, depreciation expenses amounting to RMB132,380,647.60 and RMB5,471,881.84 had been charged into costs of services and general and administrative expenses, respectively (2014: RMB122,896,335.51 and RMB4,789,017.15).



## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

##### 12. Construction in progress

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

Item	31 December 2015			31 December 2014		
	Carrying amount	Impairment	Net book amount	Carrying amount	Impairment	Net book amount
Extension projects of Fumin Station of Airport-Heao Expressway (Eastern Section)	12,330,609.77	-	12,330,609.77	4,200,872.11	-	4,200,872.11
Toll-by-weight projects	3,126,975.00	-	3,126,975.00	150,000.00	-	150,000.00
Nation-wide ETC toll interconnection project	2,804,935.98	-	2,804,935.98	-	-	-
Billboard and light box projects	559,000.00	-	559,000.00	2,100,232.05	-	2,100,232.05
Road monitoring projects	-	-	-	4,820,816.97	-	4,820,816.97
Compound toll lanes projects	-	-	-	1,873,880.55	-	1,873,880.55
Renovation project of Tingzu Station of Wuhuang Expressway	-	-	-	1,838,000.00	-	1,838,000.00
Others	10,634,565.67	-	10,634,565.67	11,948,099.51	-	11,948,099.51
<b>Total</b>	<b>29,456,086.42</b>	<b>-</b>	<b>29,456,086.42</b>	<b>26,931,901.19</b>	<b>-</b>	<b>26,931,901.19</b>

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

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

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

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

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

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

#### 13. Intangible assets

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

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

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

#### 13. Intangible assets(Continued)

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

(a) Movement of concession intangible assets:

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

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

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

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

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

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

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

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

- (a) Deferred income tax asset was recognised based on the temporary difference between tax base and accounting base of provisions for maintenance/resurfacing obligations of toll roads.
- (b) Deferred income tax asset was recognised based on the temporary difference between tax base and book value of compensation provided by concession grantors in prior years.
- (c) The Group estimated that Qinglian Company could generate profit against which the deductible tax losses incurred in prior years can be utilised in the future. Accordingly, a deferred income tax asset on deductible tax losses was recognised.
- (d) The Group received prepayment from the Shenzhen government for compensation for the toll adjustment of Three Expressway, and recognised the differences between the tax bases and book values as deferred income tax assets.

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

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

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

- (e) The Group recognized estimated operating costs undertaken by the Company for Toll Free Section of Meiguan Expressway before transferred and the difference between estimated cost of extension of Meiguan Expressway allocated to Toll Free Section with its preliminary compensation according to the Adjustment Agreement as deferred income tax assets.

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

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

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

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

- (c) The Company recognised interest income due to the Shenzhen Government's installment payment term of the Compensation resulted from the toll adjustment of Meiguan Expressway.

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

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

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

Item	Deferred income tax assets and liabilities offset as at 31 December 2015	Net values of deferred income tax assets/liabilities as at 31 December 2015	Deferred income tax assets and liabilities offset as at 31 December 2014	Net values of deferred income tax assets/liabilities as at 31 December 2014
Deferred income tax assets	-109,038,541.33	77,617,511.95	-152,775,871.88	51,503,576.27
Deferred income tax liabilities	109,038,541.33	1,339,812,592.32	152,775,871.88	773,462,469.63

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

Item	31 December 2015	31 December 2014
Deductible tax losses	372,747,749.82	181,862,136.83
<b>Total</b>	<b>372,747,749.82</b>	<b>181,862,136.83</b>

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

Year	31 December 2015	31 December 2014
Year 2016	114,491,480.12	60,643,626.07
Year 2017	88,750,103.43	45,584,595.75
Year 2018	146,425,448.01	69,410,979.15
Year 2019	6,217,971.96	6,222,935.86
Year 2020	16,862,746.30	-
<b>Total</b>	<b>372,747,749.82</b>	<b>181,862,136.83</b>

#### 15. Other non-current assets

Item	31 December 2015	31 December 2014
Share subscription	595,920,000.00	-
<b>Total</b>	<b>595,920,000.00</b>	<b>-</b>

The Company made an investment of RMB595,920,000.00 for proposed subscription of 382 million shares issued by Bank of Guizhou Company Limited, which was expected to account for 4.15% of the total share capital for the Bank of Guizhou Company Limited after its increasing in capital and shares. Because related equity alteration procedures are uncompleted, the deposit is recorded as other non-current assets.

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

##### 16. Accounts payable

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

Item	31 December 2015	31 December 2014
Payables for construction projects and quality deposits	169,985,515.87	153,250,144.52
Others	12,038,443.28	11,020,807.09
<b>Total</b>	<b>182,023,959.15</b>	<b>164,270,951.61</b>

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

Item	Balance at 31 December 2015	Reason for unsettlement
Shenzhen Municipal Engineering Corporation	49,003,110.00	Project settlement has not completed.
Zhejiang Bayong Highway Project Company Limited	12,418,636.00	Project settlement has not completed.
Qingyuan Land and Resources Bureau	5,882,280.00	Project settlement has not completed.
Jiangxi Tongwei Highway Construction Project Group Company Limited	3,507,602.57	Project settlement has not completed.
China Railway 18th Bureau Group Company Limited	3,292,564.00	Project settlement has not completed.
<b>Total</b>	<b>74,104,192.57</b>	

##### 17. Advances from customers

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

Item	31 December 2015	31 December 2014
Advances from sales of real estates	148,038,128.10	-
Advances from construction consulting service	69,397,903.14	-
Advances from advertising customers	13,318,867.21	16,738,351.48
Others	2,092,937.37	1,583,333.37
<b>Total</b>	<b>232,847,835.82</b>	<b>18,321,684.85</b>

As at 31 December 2015, account collected in advance over 1 year is RMB19,725,690.37(31 December 2014: Nil) mainly comprised project funds in advance of Consulting company, these fees were not fully settled since contracts have not been complete. The Consulting Company become a subsidiary of the Group on 1 July 2015.



## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

#### 18. Employee benefits payable

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

Item	31 December 2014	Addition from acquisition of subsidiaries	Current year additions	Current year reductions	31 December 2015
I. Short-term wages	107,468,942.96	11,839,752.47	388,581,388.90	354,052,893.35	153,837,190.98
II. Pension benefits – defined contribution plans	80,128.67	703.30	30,216,918.58	30,078,823.70	218,926.85
<b>Total</b>	<b>107,549,071.63</b>	<b>11,840,455.77</b>	<b>418,798,307.48</b>	<b>384,131,717.05</b>	<b>154,056,117.83</b>

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

Item	31 December 2014	Addition from acquisition of subsidiaries	Current year additions	Current year reductions	31 December 2015
I. Wages and salaries, bonuses, allowances and subsidies	103,061,702.14	9,677,175.21	327,219,896.32	290,506,360.80	149,452,412.87
II. Staff welfare	-	2,162,198.56	24,688,553.71	26,850,752.27	-
III. Social security contributions	-	378.70	12,327,400.43	12,262,053.60	65,725.53
Including :Medical insurance	-	313.78	10,355,050.69	10,300,154.84	55,209.63
Work injury insurance	-	21.64	645,374.33	641,955.05	3,440.92
Maternity insurance	-	43.28	1,326,975.41	1,319,943.71	7,074.98
IV. Housing funds	-	-	15,619,862.21	15,613,424.80	6,437.41
V. Labor union funds and employee education funds	3,662,310.56	-	8,075,923.20	8,123,025.85	3,615,207.91
VI. Others	744,930.26	-	649,753.03	697,276.03	697,407.26
<b>Total</b>	<b>107,468,942.96</b>	<b>11,839,752.47</b>	<b>388,581,388.90</b>	<b>354,052,893.35</b>	<b>153,837,190.98</b>

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

Item	31 December 2014	Addition from acquisition of the subsidiaries	Current year additions	Current year reductions	31 December 2015
I. Basic pensions	-	692.48	22,475,351.95	22,356,213.45	119,830.98
II. Unemployment insurance	-	10.82	466,060.06	463,586.01	2,484.87
III. Enterprise annuities	80,128.67	-	7,275,506.57	7,259,024.24	96,611.00
<b>Total</b>	<b>80,128.67</b>	<b>703.30</b>	<b>30,216,918.58</b>	<b>30,078,823.70</b>	<b>218,926.85</b>

#### 19. Taxes payable

Item	31 December 2015	31 December 2014
Corporate income tax payable	230,045,738.13	501,576,347.83
Business tax payable	19,519,486.82	22,435,189.64
VAT payable	1,514,128.09	350,623.39
City maintenance and construction tax payable	1,501,233.94	1,553,894.11
Educational surcharge payable	684,403.02	718,531.21
Others	4,779,944.34	2,630,802.69
<b>Total</b>	<b>258,044,934.34</b>	<b>529,265,388.87</b>

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

#### 20. Interest payable

Item	31 December 2015	31 December 2014
Interest of corporate bonds	57,292,164.11	57,292,164.11
Interest of medium-term notes	52,224,448.99	36,651,833.30
Interest of long-term borrowings with interest payable in installment and principal payable upon maturity	9,273,822.41	7,092,374.63
Interest of private placement notes	-	1,338,770.14
Interest of short-term borrowings	-	6,487.35
<b>Total</b>	<b>118,790,435.51</b>	<b>102,381,629.53</b>

#### 21. Other payables

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

Item	31 December 2015	31 December 2014
Compensation received related to Toll Adjustment of Three Expressways(V (27)(a))	548,920,000.00	-
Project funds retained for construction management contracts (a)	241,385,764.83	379,143,974.97
Payable related to costs of construction management services	157,775,168.12	159,888,687.26
Payable related to maintenance for roads	85,313,040.99	74,279,355.02
Advance from associates	74,276,376.43	75,678,639.61
Guaranteed deposits for construction projects contracts or pitches	61,640,011.19	55,500,398.85
Acquisition expenses for equity shares of Fameluxe Company	46,000,000.00	-
Project funds payables to the contractors of Longli BT Project	27,883,037.20	87,208,338.23
Mechanical and electrical costs payable	19,685,903.22	20,129,964.53
Subscription payment and down payment of property development	3,997,000.00	-
Payable related to the maintenance of Airport-Heao Expressway	-	39,324,433.69
Payable related to land expropriation of Longli joint land development	-	1,002,855.33
Others	58,177,695.33	43,547,974.89
<b>Total</b>	<b>1,325,053,997.31</b>	<b>935,704,622.38</b>

- (a) The Company was entrusted by Shenzhen Government for the management of the construction of highway projects. The projects are funded by Shenzhen Government. The related project payments are made by the Company through special deposit accounts opened for the project in accordance with relevant provision in the construction management contracts. As at 31 December 2015, project funds retained in the special deposit accounts amounting to RMB241,385,764.83 (31 December 2014: RMB379,143,974.97) are classified as restricted bank balance in cash flow statements.

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

##### 21. Other payables (Continued)

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

Item	31 December 2015	Reason for unsettlement
GZ W2 Company	37,500,000.00	Distribution in advance.
Nanjing Third Bridge Company	33,526,376.43	Distribution in advance.
CCCC Second Highway Engineering Co., Ltd.	24,711,314.17	Contract settlement has not completed.
Shandong Provincial Highway and Bridge Group Co., Ltd.	18,161,611.22	Contract settlement has not completed.
Shenzhen Municipal Engineering Corporation	5,272,289.72	Contract settlement has not completed.
<b>Total</b>	<b>119,171,591.54</b>	

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

Item	31 December 2015	31 December 2014
Current portion of non-current bonds (Note V.24(1))	1,499,997,000.00	-
Current portion of non-current borrowings (Note V.23(1))	269,200,000.00	37,360,000.00
Including: Pledged	269,200,000.00	37,360,000.00
Current portion of provisions (Note V.25)	67,043,879.39	141,896,274.98
Current portion of Private placement notes	-	798,331,054.25
Current portion of compensations to the tax and surcharges from the toll adjustment of Meiguan Expressway	-	44,800,000.00
<b>Total</b>	<b>1,836,240,879.39</b>	<b>1,022,387,329.23</b>

##### 23. Long-term borrowings

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

Item	31 December 2015	31 December 2014
Pledged	2,201,928,764.00	3,898,864,000.00
<b>Total</b>	<b>2,201,928,764.00</b>	<b>3,898,864,000.00</b>

(a) At 31 December 2015, the Group's borrowings were repayable as follows:

	31 December 2015	31 December 2014
Between 1 and 2 years	278,320,000.00	299,580,000.00
Between 2 and 5 years	418,524,764.00	1,301,160,000.00
Over 5 years	1,505,084,000.00	2,298,124,000.00
<b>Total</b>	<b>2,201,928,764.00</b>	<b>3,898,864,000.00</b>

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

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

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

(b) As at 31 December 2015, details of long-term pledged borrowings are set out as follows:

	Interest rate	Currency	Amount in RMB	Pledge details
Syndicated borrowings	5.085%-5.65%	RMB	1,981,424,000.00	Operating rights of Qinglian Expressway
Other pledged borrowings	4.90%	RMB	489,704,764.00	Operating rights of Shuiguan Expressway
Less: Current portion			269,200,000.00	
<b>Total</b>			<b>2,201,928,764.00</b>	

(c) As at 31 December 2015, the weighted average interest rate of long-term borrowings was from 4.90% to 5.65% per annum (31 December 2014: from 5.895% to 6.55%).

#### 24. Bonds payable

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

Item	31 December 2015	31 December 2014
Corporate bonds	2,295,598,321.67	2,294,930,168.03
Medium-term notes	1,894,728,466.81	995,457,406.48
Private placement notes	-	798,331,054.25
Sub-total	4,190,326,788.48	4,088,718,628.76
Less: Current portion of long-term bonds	1,499,997,000.00	-
Current portion of private placement notes	-	798,331,054.25
<b>Total</b>	<b>2,690,329,788.48</b>	<b>3,290,387,574.51</b>

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

Name of bonds	Par value	Date of issuance	Maturity	Issued amount	Balance at 31 December 2014	Current year issued	Current year issuance cost	Amortisation	Current year repaid	Balance at 31 December 2015
Corporate bonds (a)	800,000,000.00	31 July 2007	15 years	800,000,000.00	794,933,168.03	-	-	668,153.64	-	795,601,321.67
Corporate bonds (a)	1,500,000,000.00	2 August 2011	5 years	1,500,000,000.00	1,499,997,000.00	-	-	-	-	1,499,997,000.00
Medium-term notes (b)	1,000,000,000.00	7 May 2014	3 years	1,000,000,000.00	995,457,406.48	-	-	1,880,164.52	-	997,337,571.00
Medium-term notes (b)	900,000,000.00	14 August 2015	3 years	900,000,000.00	-	900,000,000.00	2,730,000.00	120,895.81	-	897,390,895.81
Private placement notes	800,000,000.00	20 December 2012	3 years	800,000,000.00	798,331,054.25	-	-	1,668,945.75	800,000,000.00	-
<b>Total</b>	<b>5,000,000,000.00</b>			<b>5,000,000,000.00</b>	<b>4,088,718,628.76</b>	<b>900,000,000.00</b>	<b>2,730,000.00</b>	<b>4,338,159.72</b>	<b>800,000,000.00</b>	<b>4,190,326,788.48</b>

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

##### 24. Bonds payable (Continued)

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

###### (a) Corporate bonds

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

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

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

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

The Company obtained the approval from the National Association of Financial Market Institutional Investors in relation to the issuance of medium-term notes amounting to RMB1,500,000,000.00. The registered quota is valid within 2 years from the date of issue of the Notice of the Acceptance of Registration, and the Company is allowed to issue the medium-term notes in tranches during the validity period. On 14 August 2015, the Company issued the initial tranche of medium-term notes amounting to RMB900,000,000.00, which bear a term of 3 years and interest rate of 3.95% per annum with interest repayable annually and the principal repayable in full upon maturity on 18 August 2018.

##### 25. Provisions

	31 December 2015	31 December 2014
Provisions for maintenance/resurfacing obligations	192,283,480.10	230,642,183.10
Less: Current portion	67,043,879.39	141,896,274.98
<b>Total</b>	<b>125,239,600.71</b>	<b>88,745,908.12</b>

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

##### 26. Deferred income

Item	31 December 2014	Addition from acquisition of subsidiaries	Current year addition	Current year reductions	31 December 2015	Explanation
<b>Non-current liabilities</b>						
- Compensation to operating costs for Toll Free Section of Meiguan Expressway	162,850,000.00	-	-	15,639,399.19	147,210,600.81	Compensation to the accrued operating costs for Toll Free Section of Meiguan Expressway before transferred provided by Shenzhen Government.
- Government compensation of demolition	-	28,438,674.50	-	968,785.63	27,469,888.87	Government compensation of demolition of Qinglong Company
<b>Current liabilities</b>						
- Return of deed taxes	2,794,486.25	-	670,486.41	-	3,464,972.66	Return of deed taxes provided from Guizhou Longli County Government to Guishen Company.
<b>Total</b>	<b>165,644,486.25</b>	<b>28,438,674.50</b>	<b>670,486.41</b>	<b>16,608,184.82</b>	<b>178,145,462.34</b>	

Government grants items:

Item	31 December 2014	Additional grants in current year	Recognised in non-operating income in current year	Other movement	31 December 2015	In related to assets/income
Return of deed taxes	2,794,486.25	670,486.41	-	-	3,464,972.66	In related to assets
<b>Total</b>	<b>2,794,486.25</b>	<b>670,486.41</b>	<b>-</b>	<b>-</b>	<b>3,464,972.66</b>	

##### 27. Other non-current liabilities

Item	31 December 2015	31 December 2014
Toll adjustment compensation of Three Expressways(a)	6,065,310,000.00	-
Long-term tax and surcharges from the toll adjustment of Meiguan Expressway	1,750,199.11	104,673,950.68
Less: Current portion	-	44,800,000.00
<b>Total</b>	<b>6,067,060,199.11</b>	<b>59,873,950.68</b>

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

#### 27. Other non-current liabilities (Continued)

(a) On 30 November 2015, the Company signed an agreement with Shenzhen Transportation Bureau regarding toll adjustment and compensation arrangement of the Three Expressways. The first phase will commence from 7 February 2016 to 31 December 2018, namely 2 years plus 10 months and 24 days. During this phase, under the circumstance that the Company retains the fee entitlement right and is responsible for the maintenance and repair of the Three Expressways, Shenzhen Transportation Bureau will purchase passing service of the related section from the Company and provide corresponding cash compensation for exemption of tolls. The Company and the Government will jointly engage third party consultant to audit the actual amount of toll revenue for the Three Expressways in each of the financial years and settle with the adjusted actual traffic volume according to the agreed approach. The second phase will commence from 1 January 2019 to maturity of the operating period of the Three Expressways. In this phase, Shenzhen Transportation Bureau may select to adopt one of the two available options, namely Option 1 and Option 2 on the basis of different conditions. Under Option 1, the Company and Shenzhen Transportation Bureau will continue to implement toll-free in the same manner in Phase 1 until the end of their respective operation periods. Under Option 2, the fee entitlement right of the Three Expressways will be returned to Shenzhen Transportation Bureau in exchange for an one-off cash compensation. Pursuant to the Three Expressways Adjustment Agreement, it is agreed to implement toll-free for the Three Expressways on 7 February 2016 in two phases in exchange for the cash compensation based on adjustment mechanism imposed by Shenzhen Transportation Bureau. As at 31 December 2015, the Company had received the first cash compensation amounting to RMB6,588,000,000.00, of which RMB548,920,000.00 is the cash compensation of 2016. The agreement has been approved by the Company's shareholders' meeting on 29 January 2016.

#### 28. Share capital

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

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

#### 29. Capital surplus

Year 2015	31 December 2014	Current year additions	Current year reductions	31 December 2015
Share premium	2,274,351,523.42	-	-	2,274,351,523.42
Total	<b>2,274,351,523.42</b>	-	-	<b>2,274,351,523.42</b>

Year 2014	31 December 2013	Current year additions	Current year reductions	31 December 2014
Share premium	2,274,351,523.42	-	-	2,274,351,523.42
Total	<b>2,274,351,523.42</b>	-	-	<b>2,274,351,523.42</b>

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

#### 30. Other comprehensive income

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

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

#### 31. Surplus reserve

Year 2015	31 December 2014	Current year additions	Current year reductions	31 December 2015
Statutory surplus reserve	1,431,199,699.68	31,292,938.38	-	1,462,492,638.06
Discretionary surplus reserve	453,391,330.06	-	-	453,391,330.06
<b>Total</b>	<b>1,884,591,029.74</b>	<b>31,292,938.38</b>	<b>-</b>	<b>1,915,883,968.12</b>

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

In accordance with the Companies Law, the Company's Articles of Association and the resolution of Board of Directors, companies should appropriate 10% of net profit for the year to the statutory surplus reserve, and companies can cease appropriation when the statutory surplus reserve reaches 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase capital after approval from the appropriate authorities. According to a resolution passed by the Board of Directors, the Company appropriated 10% of net profit, amounting to RMB31,292,938.38 for the year 2015 (2014: 10% of the net profit for year, amounting to RMB203,167,554.20) to the statutory surplus reserve.

The Company appropriates discretionary surplus reserve after the shareholders' meeting approves the proposal from the Board of Directors. The discretionary surplus reserve can be used to make up for the loss or increase capital after approval from the appropriate authorities. The Company did not appropriate any discretionary surplus reserve for the year 2015 (2014: nil).



## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

#### 32. Undistributed profits

Item	2015	2014
Undistributed profits at the beginning of the year	4,564,264,823.15	2,929,472,264.02
Add: Net profit attributable to equity holders of the Company in current year	1,552,656,397.24	2,186,883,365.49
Less: Appropriation for statutory surplus reserve	31,292,938.38	203,167,554.20
Dividends	981,346,646.70	348,923,252.16
Undistributed profits at the end of the year	5,104,281,635.31	4,564,264,823.15

In accordance with the resolution passed in the Annual General meeting on 15 May 2015, the Company proposed a cash dividend to all shareholders amounting to RMB981,346,646.70, which was calculated by reference to the 2,180,770,326 shares issued and a dividend of RMB0.45 per share. The cash dividend has been paid in 2015 and represents 44.90% of the net profit for the year ended 31 December 2014.

In accordance with the resolution passed in the Board on 18 Mar 2016, the Company proposed a cash dividend to all shareholders amounting to RMB741,461,910.84, which was calculated by reference to the 2,180,770,326 shares issued and a dividend of RMB 0.34 per share. The proposed final dividend resolution is subject to the approval in the shareholders' meeting (Note XII.2). The cash dividend represents 47.75% of the net profit for the year ended 31 December 2015.

#### 33. Revenue and cost of services

Item	2015		2014	
	Revenue	Cost	Revenue	Cost
Main business - toll road business	3,014,057,419.87	1,419,449,529.10	3,007,632,196.48	1,469,574,017.81
Other businesses -				
Construction consulting services(a)	191,395,731.53	143,283,969.75	-	-
Management services	94,616,571.10	39,480,267.24	503,436,013.28	172,475,017.91
Advertising services	94,413,581.70	50,528,959.99	97,980,069.65	61,677,530.05
Others	26,095,030.99	26,004,883.37	11,309,200.67	1,529,371.08
Sub-total of other businesses	406,520,915.32	259,298,080.35	612,725,283.60	235,681,919.04
<b>Total</b>	<b>3,420,578,335.19</b>	<b>1,678,747,609.45</b>	<b>3,620,357,480.08</b>	<b>1,705,255,936.85</b>

(a) Revenue from providing construction consulting services of Consulting Company

The Amount for this year is since 1 July 2015(consolidation date)(Note VI.2) to 31 December 2015.

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

##### 34. Business tax and surcharges

Item	2015	2014
Business tax	106,070,204.24	112,968,301.54
City maintenance and construction tax	8,054,725.06	8,129,561.51
Educational surcharge	5,777,607.37	5,913,211.68
Construction fee for country culture development	2,169,767.73	2,921,657.47
Others	569,328.15	1,090,609.21
<b>Total</b>	<b>122,641,632.55</b>	<b>131,023,341.41</b>

##### 35. General and administrative expenses

Item	2015	2014
Salary and wages	74,256,089.00	55,434,235.89
Lawyer and consulting fee	16,160,362.11	3,385,879.32
Depreciation	7,114,211.41	7,062,735.55
Leasing fees	5,039,501.93	2,646,591.00
Audit fees	5,035,100.00	4,020,000.00
Office and communication fees	3,333,581.66	1,277,936.57
Expenses paid to stock exchanges	3,263,044.91	3,488,154.95
Office management expenses	2,815,388.41	2,042,464.33
Others	16,994,529.96	9,135,968.75
<b>Total</b>	<b>134,011,809.39</b>	<b>88,493,966.36</b>

Expenses by nature:

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

Item	2015	2014
Depreciation and amortisation	898,886,848.42	984,158,950.15
Salary and wages	415,754,734.65	300,059,948.84
Road maintenance expenses	103,076,398.16	123,277,859.36
Costs of construction consulting service	85,387,288.12	-
Entrusted management expresses for Wuhuang Expressway	83,726,461.39	82,112,898.67
Material, water and electrical costs	42,919,636.11	35,476,301.16
Mechanical and electrical costs	36,293,752.15	33,185,527.59
Costs of agencies	23,345,329.62	9,249,962.17
Costs of construction management services	18,278,071.86	128,476,580.96
Integrated tolls settlement service expenses	16,165,970.05	16,389,026.70
Promotion and marketing expense	10,807,345.20	-
Other expenses	92,219,517.38	86,140,979.88
<b>Total</b>	<b>1,826,861,353.11</b>	<b>1,798,528,035.48</b>

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

##### 36. Financial expenses

Item	2015	2014
Interest expense	485,089,447.34	524,953,143.47
Including: Interest expenses of bonds	255,628,654.35	225,973,766.74
Interest expenses of borrowings	207,341,033.48	299,062,226.05
Interest capitalization	-4,110,240.49	-82,849.32
Other financing expenses	26,230,000.00	-
Time value of provision for maintenance/resurfacing obligations	4,194,569.00	7,202,706.36
Less: Interest income	124,480,035.92	107,937,294.12
Exchange gains - net	5,220,376.26	-5,558,169.67
Others	675,235.11	617,494.60
<b>Total</b>	<b>370,699,591.79</b>	<b>419,277,880.64</b>

##### 37. Assets impairment losses

Item	2015	2014
Assets impairment losses of intangible assets concession(Note III. 29(5))	620,000,000.00	-
<b>Total</b>	<b>620,000,000.00</b>	<b>-</b>

##### 38. Investment income

Item	2015	2014
Gain or loss under consolidation of uncommon control arising from equity shares acquired before the acquisition date recalculated per fair value (Note VI. 2)	904,017,332.82	-
Income from long-term equity investments under equity method	247,973,476.09	187,042,277.71
Income from available for sale assets	3,000,000.00	-
<b>Total</b>	<b>1,154,990,808.91</b>	<b>187,042,277.71</b>

The Group's investment income are all generated from investment in unlisted companies for the year 2015 and 2014.

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

#### 39. Non-operating income

Item	2015	2014	Amount recorded as non-recurring profit or loss in 2015
Total gains on disposal of non-current assets	29,177,997.50	1,497,451,546.14	29,177,997.50
Including: Merlin toll demolition compensation	28,328,230.00	-	28,328,230.00
Gains on disposal of related assets of Toll Free Section of Meiguan Expressway	821,897.50	1,496,009,613.02	821,897.50
Gains on disposal of other intangible assets	-	1,419,846.32	-
Gains on disposal of other fixed assets	27,870.00	22,086.80	27,870.00
Gains on penalties	8,000,000.00	-	8,000,000.00
Gains on liquidation of claim	127,667.60	5,894,338.00	127,667.60
Compensation to the projects of upgrading toll stations' landscape	-	4,834,000.00	-
Government incentives	-	152,080.25	-
Others	2,625,130.85	2,206,222.65	2,625,130.85
<b>Total</b>	<b>39,930,795.95</b>	<b>1,510,538,187.04</b>	<b>39,930,795.95</b>

Government grants recognised in current year's profit or losses

Grant item	2015	2014	In related to assets/income
Government incentives	-	152,080.25	In related to income
<b>Total</b>	<b>-</b>	<b>152,080.25</b>	

#### 40. Non-operating expense

Item	2015	2014	Amount recorded as non-recurring profit or loss in 2015
Total loss on disposal of non-current assets	1,840,627.93	448,542.09	1,840,627.93
Including: Loss on disposal of fixed assets	1,840,627.93	448,542.09	1,840,627.93
Donation	509,350.00	594,779.00	509,350.00
Others	620,497.91	1,147,351.95	620,497.91
<b>Total</b>	<b>2,970,475.84</b>	<b>2,190,673.04</b>	<b>2,970,475.84</b>

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

##### 41. Income tax expenses

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

Item	2015	2014
Current income tax	405,101,634.61	719,578,129.84
Deferred income tax	-227,924,706.23	-24,129,644.95
<b>Total</b>	<b>177,176,928.38</b>	<b>695,448,484.89</b>

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

Item	2015	2014
Profit before tax	1,672,326,886.76	2,966,918,014.26
Income tax expenses calculated at applicable tax rate	418,081,721.69	741,729,503.57
Difference from the CIT verification collection method	-4,332,468.48	-32,439,749.86
Income not subject to tax	-291,712,461.89	-50,873,313.21
The adjustment of deferred income tax assets	45,934,300.00	29,678,900.00
Unrecognised tax losses	4,215,686.58	1,555,733.96
Expenses not deductible for tax purposes	7,466,481.71	5,797,410.43
Use of unrecognized tax losses at previous periods	-2,476,331.23	-
Income tax expenses	<b>177,176,928.38</b>	<b>695,448,484.89</b>

##### 42. Cash flow statement items

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

Item	2015	2014
Cash received from new-built toll operating expenses of toll free section of Meiguan Expressway	162,850,000.00	-
Cash received relating to Longli BT Project and the joint land development	90,285,351.08	182,765,266.56
Cash received from Longli Country overnment in relation to Longli Resettlement (Phase II) Project	23,000,000.00	6,000,000.00
Cash received from GZ W2 Company	3,250,000.00	7,500,000.00
Cash received relating to funding of Coastal Company	-	37,045,540.41
Cash received from other operating activities	18,577,964.16	10,959,135.58
<b>Total</b>	<b>297,963,315.24</b>	<b>244,269,942.55</b>

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

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

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

Item	2015	2014
Payment for acquisition of land use right	156,446,829.00	203,156,085.00
Payment for further development of land	117,277,638.29	77,554,325.68
Cash advanced to Longli BT Project	66,681,519.29	125,515,643.04
Cash advanced to Longli Resettlement (Phase I) Project	14,417,867.15	38,782,372.90
Audit, valuation, lawyers and advisory fees paid	13,381,701.71	7,834,857.06
Prepaid management fees of outer ring project	8,830,432.90	-
Management expenses paid for Coastal Project	4,755,860.27	5,011,903.89
Expenses paid to stock exchanges	3,519,537.87	2,871,252.11
Meiguan fee adjustment facilities project construction management expenses	2,084,413.86	-
Management expenses paid for Nanping (Phase II) Project	1,136,252.16	3,265,535.46
Payment related to Coastal Company	179,067.15	28,176,902.46
Repayments of quality deposits for Nanping (Phase II) Project	-	9,334,626.10
Other operating expenses paid	57,489,717.62	33,969,729.80
<b>Total</b>	<b>446,200,837.27</b>	<b>535,473,233.50</b>

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

Item	2015	2014
Interest received on fee adjustment compensation of Meiguan Expressway	162,075,864.76	-
Increased monetary funds from Consulting Company consolidation	76,240,218.69	-
Interests income received	18,385,926.22	17,867,369.27
Others	71,800.01	-
<b>Total</b>	<b>256,773,809.68</b>	<b>17,867,369.27</b>

###### (4). Cash paid relating to obtaining subsidiaries and other companies

Item	2015	2014
Equity subscription to Bank of Guizhou Co., Ltd.	595,920,000.00	-
Capital increase to Joint Land Company	524,300,000.00	29,400,000.00
Investment funds from Qinglong Company	161,277,969.01	-
Investment Gansu Province Highway Aviation Tourism Engineering Consulting Co., Ltd.	4,103,978.37	-
<b>Total</b>	<b>1,285,601,947.38</b>	<b>29,400,000.00</b>

###### (5). Cash received relating to other financing activities

Item	2015	2014
Compensation received related to Toll Adjustment of Three Expressways	6,588,000,000.00	-
<b>Total</b>	<b>6,588,000,000.00</b>	<b>-</b>

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

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

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

Item	2015	2014
<b>1. Reconciliation from net profit to cash flows from operating activities</b>		
Net profit	1,495,149,958.38	2,271,469,529.37
Amortisation of investment properties	575,700.00	575,700.00
Depreciation of fixed assets	137,852,529.44	127,685,352.66
Amortisation of intangible assets	757,967,793.92	853,084,573.21
Amortisation of long-term prepaid expenses	2,490,825.06	2,813,324.28
Net (gains)/losses on disposal of non-current assets	-27,337,369.57	-1,497,003,004.05
Financial expenses	370,699,591.79	419,277,880.64
Investment income	-1,154,990,808.91	-187,042,277.71
Asset impairment loss	620,000,000.00	-
(Increase)/decrease of deferred income tax assets	-26,113,935.68	-16,345,390.79
Increase/(decrease) of deferred income tax liabilities	-201,810,770.55	40,475,035.74
Decrease in inventories	-113,965,281.26	-189,729,856.38
Decrease/(increase) in operating receivables	-51,398,251.87	-57,027,635.89
Increase/(decrease) in operating payables	-37,614,850.43	25,522,051.21
Net cash flows from operating activities	1,771,505,130.32	1,793,755,282.29
<b>2. Net change in cash</b>		
Cash at the end of the year	6,180,992,066.06	1,255,154,897.37
Less: Cash at the beginning of the year	1,255,154,897.37	1,089,636,663.10
Net increase in cash	4,925,837,168.69	165,518,234.27

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

Item	31 December 2015	31 December 2014
Cash		
Including: Cash at hand	12,671,446.03	11,445,715.38
Cash at bank	6,168,320,620.03	1,243,709,181.99
Cash at the end of the year	6,180,992,066.06	1,255,154,897.37
Add: Restricted cash held by the Company and group companies (Note V.1)	241,385,764.83	379,143,974.97
<b>Total cash at bank and on hand</b>	<b>6,422,377,830.89</b>	<b>1,634,298,872.34</b>

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

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

Item	31 December 2015	Reason of restriction
Operating right of Qinglian Expressway	7,417,405,717.33	The Group's syndicated borrowings are pledged by operating right of Qinglian Expressway.
Operating right of Shuiguan Expressway	4,394,590,612.30	The Group's long-term borrowings are pledged by operating right of Shuiguan Expressway.
The equity interest in Meiguan Company	631,417,892.27	The Group's 100% equity interest in Meiguan Company is pledged for certain long-term notes.
Cash at bank and on hand	241,385,764.83	Restricted project funds retained for construction management.
<b>Total</b>	<b>12,684,799,986.73</b>	

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

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

Item	Original currency at 31 December 2015	Currency exchange	RMB at 31 December 2015
Cash at bank and at hand			
Denominated in: USD	14,852.69	6.4936	96,447.43
HKD	1,433,246.30	0.8378	1,200,772.29
CHF	11.70	1.0812	12.65
PTAS	446.00	0.0468	20.88
GBP	30.00	9.6159	288.48
EUR	257.00	7.0952	1,823.47
JPY	380.00	0.0539	20.47
Other receivable			
Denominated in: HKD	1,059,907.76	0.8378	887,990.72



## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

##### 46. Others

##### (1). Earnings per share

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

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

	2015	2014
Consolidated net profit attributable to ordinary shareholders of the Company	1,552,656,397.24	2,186,883,365.49
Weighted average number of ordinary shares outstanding	2,180,770,326.00	2,180,770,326.00
Basic earnings per share	0.712	1.003
Including: Basic earnings per share from continuing operations	0.712	1.003

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

Diluted earnings per share is calculated by dividing net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares outstanding. As there were no dilutive potential ordinary shares for the year ended 31 December 2015 and 2014, respectively, diluted earnings per share were equal to basic earnings per share.

#### VI. Change in consolidation

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

Guishen Land Company newly incorporated three wholly owned subsidiaries namely Hengfengxin Company, Henghongda Company and Hengtongli Company all by cash amounting to RMB1,000,000.00 on 22 January 2015, respectively. Testing Company, acquired under uncommon control, newly incorporated a wholly owned subsidiaries namely Information Company by cash amounting to RMB2,000,000.00 on 13 August 2015. Meihua Company, the subsidiary of the Company, newly incorporated a wholly owned subsidiary namely Shenzhen Expressway Finance I Limited by cash amounting to USD1 on 7 July 2015. The newly incorporated subsidiaries above are consolidated in this year.

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

#### VI. Change in consolidation (Continued)

##### 2. Consolidation under uncommon control

###### (1). Consolidation under uncommon control in this period

Acquiree	Acquisition Date	Acquisition Cost	Equity percentage (%)	Acquiring method	Purchasing Date	Evidences of the acquisition Date	Acquiree's revenue from purchasing date to 31 December 2015	Acquiree's net profit from the acquisition date to 31 December 2015	Acquiree's cash flow of operating activities from the acquisition date to 31 December 2015	Acquiree's net cash flow from the acquisition date to 31 December 2015
Consulting Company(a)	1 July 2015	-	24%	Get the majority of board seats	1 July 2015	Take control of the acquiree	191,395,731.53	18,059,010.89	57,981,309.70	42,173,593.68
Qinglong Company(b)	30 October 2015	266,000,000.00	10%	Purchase and get the majority of board seats	30 October 2015	Take control of the acquiree	108,044,712.03	15,462,462.61	97,528,730.02	-18,440,039.32

- (a) Consulting company was an associate of the Company, of which 24% equity interests was held by the Company. As at 1 July 2015, the shareholders of Consulting Company amended the provisions of the article that the Company was entitled to nominate four out of seven directors in the board of directors and re-elected the board of Consulting Company. The Company then gained control in the significant operational and financial decisions of Consulting Company from 1 July 2015 onwards. Accordingly, Consulting Company became a consolidating subsidiary of the Company and the Company began to consolidate the financial statements of Consulting Company from then onwards.
- (b) Qinglong Company was an associate of the Company, of which 40% equity interests were held by the Company. As at 30 October 2015, a wholly owned subsidiary of the Company, Mei Wah Company, acquired 100% equity shares of Fameluxe Company at the consideration of RMB 280 million (tentative). Fameluxe Company held 10% equity interests of Qinglong Company. After the completion of the transaction, the Company held 50% equity interests of Qinglong Company in total. As at 30 October 2015, the Board of Qinglong Company revised the articles of association. Therefore, board members with nomination right of the Group increased from 2 to 5 (7 in total), and the new Board of Directors was re-elected. Henceforth, the Company possessed substantial control of important operating and financial decision of Qinglong Company, thus Qinglong Company was consolidated as a subsidiary from 30 October 2015.

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

#### VI. Change in consolidation (Continued)

##### 2. Consolidation under uncommon control (Continued)

##### (2). Cost of combination and goodwill

Cost of combination	Consulting Company	Qinglong Comapny
- Fair value of equity interest holding before purchase day	29,708,064.00	1,063,758,678.62
- Price for increasing holding equity interest	-	265,939,669.66
Total of cost of combination	29,708,064.00	1,329,698,348.28
Decrease: Carrying amount of net assets obtained	28,164,503.79	1,329,698,348.28
Goodwill	1,543,560.21	-

##### (3). Identifiable assets and liabilities of acquire on consolidation date

	Consulting Company		Qinglong Comapny	
	Fair value on consolidation date	Book value on consolidation date	Fair value on consolidation date	Book value on consolidation date
Assets:				
Cash at bank and on hand	78,541,210.40	78,541,210.40	58,661,700.65	58,661,700.65
Accounts receivable	99,526,247.91	99,526,247.91	54,175,737.44	54,175,737.44
Other current assets	5,521,097.30	5,521,097.30	1,963,730.65	1,963,730.64
Fixed assets	17,321,410.27	12,318,382.80	167,307,654.32	167,307,654.32
Intangible assets	13,077,655.27	407,655.27	4,448,811,774.58	1,386,772,018.07
Other non-current liabilities	6,652,648.39	6,652,648.39	-	-
Liabilities:				
Short-term borrowings	-	-	50,000,000.00	50,000,000.00
Accounts payable	25,509,608.45	25,509,608.45	10,979,893.52	10,979,893.52
Dividends payable	-	-	131,558,858.33	131,558,858.33
Advances from customers	65,072,143.53	65,072,143.53	-	-
Employee benefits payable	5,918,721.75	5,918,721.75	5,921,734.02	5,921,734.02
Deferred income tax liabilities	2,650,954.12	-	765,509,939.13	-
Long-term borrowings	-	-	883,704,764.00	883,704,764.00
Other liabilities	4,136,742.59	4,136,742.59	223,848,712.08	223,848,712.08
net assets	117,352,099.10	102,330,025.75	2,659,396,696.56	362,866,879.17
Minority interests	89,187,595.31	-	1,329,698,348.28	-
Acquired net assets	28,164,503.79	-	1,329,698,348.28	-

Method of recognizing fair value of identifiable assets and liabilities:

The Company used valuation techniques to determine the fair value of Consulting Company's assets and liabilities on the purchasing date at a discount rate of 18.6%.

The Company used valuation techniques to determine the fair value of Qinglong Company's assets and liabilities on the purchasing date at a discount rate of 8.30%.

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

#### VI. Change in consolidation (Continued)

##### 2. Consolidation under uncommon control (Continued)

##### (4). Gain or loss arising from equity shares before purchasing date re-calculated per fair value

Acquiree	Book value of equity interest acquired before the acquisition date	Fair value of equity interest acquired before the acquisition date	Gain or loss arising from equity interest before the acquisition date re-calculated per fair value	Method and assumptions	The amount of other comprehensive income transfer to investment income
Consulting Company	25,180,357.10	29,708,064.00	4,527,706.90	Income approach	-
Qinglong Company	164,269,052.70	1,063,758,678.62	899,489,625.92	Income approach	-

# Shenzhen Expressway Company Limited

## Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

### VII. Interests in other entities

#### 1. Interests in subsidiaries

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

Name of subsidiaries	Place of main business	Place of registration	Nature of business and principal activities	Equity interest (%)		Acquired through
				Direct	Indirect	
Shenzhen Outer Ring Expressway Investment Company Limited ("Outer Ring Company")	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	100%	-	Incorporation
Expressway Investment Company	Longli County, Guizhou Province, PRC	Shenzhen City, Guangdong Province, PRC	Investment	95%	5%	Incorporation
Guishen Company	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Infrastructure construction	-	70%	Incorporation
Guishen Land Company	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land Development	-	70%	Incorporation
Shengbo Company	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	-	70%	Incorporation
Pengbo Company	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	-	70%	Incorporation
Yuelong Company	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	-	70%	Incorporation
Property Company	Longli County, Guizhou Province, PRC	Shenzhen City, Guangdong Province, PRC	Property management	-	100%	Incorporation
Luyun Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Project management	100%	-	Incorporation
JEL Company	Hubei Province, PRC	Cayman Islands	Investment holding	-	55%	Business combinations involving enterprises under common control
Magerk Company	Hubei Province, PRC	Hubei Province, PRC	Toll road operation	-	55%	Business combinations involving enterprises under common control
Qinglian Company	Qingyuan City, Guangdong Province, PRC	Qingyuan City, Guangdong Province, PRC	Toll road operation	51.37%	25%	Business combinations involving enterprises not under common control
Advertising Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Advertising agency	95%	5%	Business combinations involving enterprises not under common control
Meiguan Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	100%	-	Business combinations involving enterprises not under common control
Mei Wah Company	Hubei Province and Guangdong Province, PRC	Hong Kong	Investment holding	100%	-	Business combinations involving enterprises not under common control
Maxprofit Company	Guangdong Province, PRC	British Virgin Islands	Investment holding	-	100%	Business combinations involving enterprises not under common control
Airport-Heao Eastern Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	100%	-	Business combinations involving enterprises not under common control
Hengfengxin Property Company Limited	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	-	70%	Incorporation
Henghongda Property Company Limited	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	-	70%	Incorporation
Hengtongli Property Company Limited	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	-	70%	Incorporation
Consulting Company (Notes VI 2(1)(a))	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Construction consulting	24%	-	Business combinations involving enterprises not under common control
Testing Company(a)	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Construction quality testing	-	24%	Business combinations involving enterprises not under common control
Information Company(a)	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Computer Information System Integration	-	24%	Incorporation
Shenzhen Expressway Finance I Limited	The British Virgin Islands	The British Virgin Islands	Investment holding	-	100%	Incorporation
Fameluxe Company	Hong Kong	Hong Kong	Investment holding	-	100%	Business combinations involving enterprises not under common control
Qinglong Company (Notes VI 2(1)(b))	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll Road Operation	40%	10%	Business combinations involving enterprises not under common control

(a) Both Testing Company and Information Company are 100% owned by Consulting Company.

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

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

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

Name of subsidiaries	Equity interest held by minority interests	Net profit attributable to minority shareholders for the year ended 31 December 2015	Dividend declared by subsidiaries to the minority shareholders for the year ended 31 December 2015	Minority interests as at 31 December 2015
Qinglian Company	23.63%	-128,262,981.70	-	601,103,303.67
JELCompany	45%	49,729,362.42	62,282,689.63	358,119,504.58
Guishen Company	30%	-428,899.16	-	222,122,717.51
Qinglong Company	50%	7,731,231.30	29,500,000.00	1,307,929,579.58
Consulting Company	76%	13,724,848.28	-	102,912,443.59

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

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

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

Name of subsidiaries	31 December 2015					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Qinglian Company	133,388,916.32	7,806,223,673.29	7,939,612,589.61	251,979,735.50	5,146,879,443.45	5,398,859,178.95
JEL Company	209,802,776.83	731,516,415.98	941,319,192.81	14,643,838.10	130,854,233.43	145,498,071.53
Guishen Company	1,219,812,362.45	59,486,016.08	1,279,298,378.53	438,888,899.71	100,000,000.00	538,888,899.71
Qinglong Company	84,711,525.16	4,561,432,558.71	4,646,144,083.87	347,082,188.20	1,683,202,736.51	2,030,284,924.71
Consulting Company	250,303,801.16	46,572,672.89	296,876,474.05	157,003,980.23	4,461,383.83	161,465,364.06

Name of subsidiaries	31 December 2014					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Qinglian Company	101,856,542.88	8,637,378,963.49	8,739,235,506.37	180,451,090.05	5,475,233,791.54	5,655,684,881.59
JEL Company	228,151,124.94	817,541,001.81	1,045,692,126.75	76,072,402.75	145,902,319.99	221,974,722.74
Guishen Company	1,037,295,209.60	113,733,904.12	1,151,029,113.72	409,189,971.02	-	409,189,971.02
Qinglong Company(a)	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Consulting Company(a)	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

Name of subsidiaries	2015				2014			
	Revenue	Net (loss)/profit	Total comprehensive income	Net cash flows from operating activities	Revenue	Net (loss)/profit	Total comprehensive income	Net cash flows from operating activities
Qinglian Company	641,550,137.46	-542,797,214.13	-542,797,214.13	452,045,589.14	782,885,089.50	-29,461,207.82	-29,461,207.82	564,141,150.45
JEL Company	337,237,180.17	110,509,694.26	110,509,694.26	162,509,791.32	330,677,369.66	109,208,403.72	109,208,403.72	170,523,812.40
Guishen Company	10,088,723.92	-1,429,663.86	-1,429,663.86	-1,491,104.84	193,109,881.82	141,346,885.38	141,346,885.38	-217,619,726.24
Qinglong Company(a)	108,044,712.03	15,462,462.61	15,462,462.61	97,528,730.02	-	-	-	-
Consulting Company(a)	191,395,731.53	18,059,010.89	18,059,010.89	57,981,309.70	-	-	-	-

(a) Since Consulting Company and Qinglong Company became the company's subsidiary on 1 July, 2015 and 30 October, 2015 respectively, the beginning balances of balance sheet items are not presented and the current amount of income statement items are recognized from acquisition date to 31 December, 2015.

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

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

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

As at 31 December 2015 and 2014, no substantial restriction existed which prohibited the usage of assets or the settlement of liabilities of the Group.

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

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

	2015	2014
Joint ventures:		
Total book value of investment	165,579,108.30	158,764,459.37
Sub-total amount of the following items calculated in the Group's equity proportion in joint ventures:		
- Net profit	13,822,650.42	-25,231,790.75
- Other comprehensive income	-	-
- Total comprehensive income	13,822,650.42	-25,231,790.75
Associates:		
Total book value of investment	1,817,310,916.29	1,536,726,112.97
Sub-total amount of the following items calculated in the Group's equity proportion in associates:		
- Net profit	234,150,825.67	212,274,068.46
- Other comprehensive income	-	-
- Total comprehensive income	234,150,825.67	212,274,068.46

The directors of the Company considered that the Group has no material joint venture or associate for the year 2015 and 2014 as the investment income/(loss) from individual joint venture or associate does not exceed 10% of the total profit of the Group for the respective years.

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

As at 31 December 2015, there's no substantial restriction exists which prohibits the transfer of funds between the Group and the joint ventures and associates (31 December 2014: Nil).



## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

#### VIII. Financial instruments and risk

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

##### 1. Foreign exchange risk

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

As at 31 December 2015 and 31 December 2014, the carrying amounts in RMB equivalent of the Group's assets and liabilities denominated in foreign currencies are summarized below:

	31 December 2015		
	HKD	Other foreign currencies	Total
Financial assets denominated in foreign currency -			
Cash at bank and on hand	1,200,772.29	98,613.38	1,299,385.67
Other receivables	887,990.72	-	887,990.72
Total financial assets denominated in foreign currency	<b>2,088,763.01</b>	<b>98,613.38</b>	<b>2,187,376.39</b>

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

As of 31 December, 2015 and 31 December, 2014, the directors considered that the Group did not bear significant foreign exchange risk as the amount of financial assets and liabilities denominated in foreign currency was not material.

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

#### 2. Interest rate risk

The Group's interest rate risk arises from long-term interest bearing borrowings including long-term borrowings and bonds payable. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at 31 December 2015, the Group's long-term interest bearing borrowings and bonds payable with floating rates amounting to RMB2,371,928,764.00 (31 December 2014: RMB3,898,864,000.00).

Increases in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial position. The Group's finance department at its headquarters continuously monitors the interest rate position of the Group and makes decisions with reference to the latest market conditions.

In current year, if interest rates on the floating rate borrowings and bonds payable had risen/fallen 50 basis points while all other variables hold constant, the Group's net profit would have decreased/increased by approximately RMB12,613,227.40 (31 December 2014: approximately RMB15,377,241.42).

#### 3. Credit risk

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

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

	31 December 2015	31 December 2014
State-owned banks	2,956,678,979.73	689,678,681.03
Other banks	3,452,968,069.13	933,174,475.93
<b>Total</b>	<b>6,409,647,048.86</b>	<b>1,622,853,156.96</b>

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

Due to the business nature of the Group, as at 31 December 2015, the Group's management services revenue due from government authorities in Guizhou Longli County relating to the Longli BT Project and Longli Resettlement (Phase I) Project were approximately RMB0.432 billion (31 December 2014: approximately RMB2.499 billion) in aggregate, the directors of the Company considered that the related credit risks were controllable. The Group did not have other significant concern of credit risk arising from other customers.

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

#### 4. Liquidity risk

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

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

	31 December 2015				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial liabilities -					
Current portion of non-current liabilities (Note 2)	1,865,655,847.57	-	-	-	1,865,655,847.57
Payables (Note 1)	1,586,587,956.46	-	-	-	1,586,587,956.46
Long-term borrowings	112,274,198.05	382,978,091.86	678,262,526.46	1,628,233,733.06	2,801,748,549.43
Bonds payables	135,050,000.00	1,135,050,000.00	1,067,950,000.00	888,000,000.00	3,226,050,000.00
Other non-current liabilities	-	752,590,000.00	6,111,189,985.98	-	6,863,779,985.98
<b>Total</b>	<b>3,699,568,002.08</b>	<b>2,270,618,091.86</b>	<b>7,857,402,512.44</b>	<b>2,516,233,733.06</b>	<b>16,343,822,339.44</b>

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

Note 1: Payables comprise accounts payable and other payables.

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

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

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

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#### IX. Fair value disclosure

Based on the lowest level input that is significant to the fair value measurement in its entirety, the fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs observable directly or indirectly for identical assets or liabilities other than inputs included within level 1;

Level 3: Inputs for the asset or liability that are not based on observable market data.

As at 31 December 2015 and 31 December 2014, the Group has no financial asset or liability constantly measured at fair value by the above three levels.

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

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

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

	31 December 2015		31 December 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities -				
Other payables (Note 1)	548,920,000.00	614,016,290.24	-	-
Current portion of notes payables	1,499,997,000.00	1,514,410,024.63	-	-
Bonds payable	2,690,329,788.48	2,789,194,244.29	3,290,387,574.51	3,157,993,121.89
Other non-current liabilities	6,065,310,000.00	6,034,251,595.47	-	-
	<b>10,804,556,788.48</b>	<b>10,951,872,154.63</b>	<b>3,290,387,574.51</b>	<b>3,157,993,121.89</b>

Note 1: Other payables only comprise the received compensation for toll charges adjustment.

The fair value of long-term borrowings with fixed interest rates and bonds payable with fixed interest rates not quoted in an active market is the present value of the contractual future cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows on the same terms.

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

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

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

The Company's ultimate controlling party is SIHCL.

##### 2. Information of subsidiaries

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

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

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

Name of joint ventures and associates	Relationship with the Group
Consulting Company	Associate(1 January to 30 June 2015)
Qinglong Company	Associate(1 January to 29 October 2015)
Huayu Company	Associate
Nanjing Third Bridge Company	Associate
GZ W2 Company	Associate
Joint Land Company	Associate

On 1 July, 2015 the Group included Consulting Company in consolidated financial reporting thus the amount of related party transaction was accounted from 1 January, 2015 to 30 June, 2015. On 30 October, 2015 the Group included Qinglong Company in consolidated financial reporting thus the amount of related party transactions was accounted from 1 January, 2015 to 29 October, 2015.

##### 4. Information of other related parties

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

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

##### 5. Related party transactions

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

###### (a) Receiving of services

Name of related parties	Nature of transactions	2015	2014
Consulting Company	Receiving project management services	2,746,524.00	13,555,264.18
United Electronic Company	Receiving integrated toll system settlement services	16,165,970.05	16,389,026.70
Others	Receiving power supply services and others	862,439.98	798,646.21

The Group signed management services contracts with Consulting Company, which mainly in relation to the project management services.

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

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

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

Name of related parties	Nature of transactions	31 December 2015	31December 2014
Coastal Company	Entrusted construction management services	24,665,543.79	235,057,291.43
Coastal Company and others	Provide integrated toll services	3,083,259.44	-
Others	Supply of water and electricity for offices	666,003.00	1,391,853.02

On 6 November 2009, SIHCL signed an "operation and management entrustment agreement" with the Company and entrusted the Company to operate and manage its wholly owned subsidiary, Coastal Company. During the entrustment period, the Company operates and manages Coastal Company in accordance with the agreement to complete the construction and operation of the Coastal Project Phase I. Pursuant to the agreement, the management service revenue is calculated by 1.5% of the construction budget and the Company would share 20% of any savings of the total budgeted contract costs, which was also stated in the "entrusted construction management agreement" signed by Coastal Company and the Company on 9 September 2011. The terms of entrusted operation have not been formally entered. During the year, the Company has recognised construction management services fee amounting to RMB24,665,543.79, calculated based on the stage of completion (2014: RMB235,057,291.43).

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

### 5. Related party transactions (Continued)

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

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

The Group's subsidiaries Consulting Company rendered project management services for Coastal Company, Qinglong Company, Huayu Company and Longda Expressway. The Company supplied water and electricity to Shenzhen International, Consulting Company and United Electronic Company with prices that are determined based on those charged by water and electricity supply companies. The individual transaction amounts were not disclosed as they are not material.

#### (2). Related party trusteeship

The company trusteeship is analysed as follows:

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

#### (3). Leases

##### (a) As a lessor

Lessee	Assets leased	Recognised rental income in 2015	Recognised rental income in 2014
United Electronic Company and Consulting Company	Office building	639,595.00	304,252.00

The Group signed office building lease contract with United Electronic Company and Consulting Company. The individual contract was not presented as the rental income amount was immaterial.

##### (b) As a lessee

Lessor	Assets leased	Total rental expenses in 2015	Total rental expenses in 2014
Longda Company, Huayu Company, Qinglong Company, SC Logistics Company, Xin Tong Chan Company	Billboard land use rights	2,367,000.00	2,990,500.00

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

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

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

###### (4). Financing

Related party	Financing amount	Starting date	Ending date
Advance from:			
GZ W2 Company	3,250,000.00	28 August 2015	No fixed repayment date, but repayable on demand

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

During current year, according to the framework agreements signed with SIHCL on 6 November 2009 in relation to the entrustment of operation and management on Coastal Company, the Group paid upfront operating costs amounting to RMB3,918,992.36 on behalf of Coastal Company (2014: RMB25,657,650.17).

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

Item	2015	2014
Remuneration of key management personnel	11,182,000.00	10,900,000.00

Key management personnel include directors, supervisor and senior management staff. In current year, the Company has 25 key management personnel (2014: 22 personnel).

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

Directors and supervisors' emoluments for the year ended 31 December 2015 are as follows:

Name	Remuneration	Salary and bonus	Total
Hu Wei*	-	960,000.00	960,000.00
Wu Ya De*	-	920,000.00	920,000.00
Wang Zeng Jin*	-	360,000.00	360,000.00
Chiu Chi Cheong	350,000.00	-	350,000.00
Au Sing Kun	180,000.00	-	180,000.00
Lin Chu Chang	180,000.00	-	180,000.00
Hu Chun Yuan	180,000.00	-	180,000.00
Fang Jie*	-	706,000.00	706,000.00



## Shenzhen Expressway Company Limited

### Notes to financial statements

#### For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

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

##### (6). Remuneration of key management personnel (Continued)

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

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

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

\* The directors and supervisor's emoluments have been included in remuneration of key management personnel.

During the year ended 31 December 2015, The Chairman, Hu Wei, the executive director and chief executive officer, Wu Ya De, the executive director, Wang Zeng Jin, the directors, Li Jing Qi, Zhao Jun Rong, Tse Yat Hong, Zhang Yang, Chiu Chi Cheong, Au Sing Kun, Lin Chu Chang, Hu Chun Yuan, Shi Xi Liang and the supervisors, Zhong Shan Qun, He Sen and Fang Jie are entitled to allowance (after individual income tax) amounting to RMB12,500.00, RMB12,000.00, RMB12,500.00, RMB7,500.00, RMB8,000.00, RMB12,000.00, RMB12,000.00, RMB8,000.00, RMB17,000.00, RMB10,500.00, RMB13,500.00, RMB10,500.00, RMB7,000.00, RMB6,000.00 and RMB8,000.00. The Chairman, Hu Wei, the executive director and chief executive officer, Wu Ya De, the executive director, Wang Zeng Jin, the directors, Li Jing Qi, Zhao Jun Rong, Tse Yat Hong, Zhang Yang, Shi Xian Liang and the supervisor, Zhong Shan Qun have waived to receive the directors' allowance of the current year.

During the year ended 31 December 2015, The Chairman, Hu Wei, the executive director and chief executive officer, Wu Ya De, the executive director, Wang Zeng Jin, and supervisor, Fang Jie, were entitled to the pension schemes contribution of RMB106,000.00 (2014: Nil), RMB106,000.00 (2014: RMB106,000.00), RMB43,000.00(2014: Nil) and RMB83,000.00(2014: RMB 78,000.00), respectively.

In addition, The Chairman, Hu Wei, the executive director, chief executive officer, Wu Ya De, chief executive officer, Wang Zeng Jin and supervisor, Fang Jie are also entitled to other benefits and allowances including medical care contribution and others, with amounts of RMB67,000.00 (2014: Nil) and RMB 67,000.00 (2014: RMB60,000.00), RMB 54,000.00 (2014: Nil) and RMB 110,000.00 (2014: RMB 103,000.00) respectively during the year ended 31 December 2015.

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

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

##### (6). Remuneration of key management personnel (Continued)

(b) The five top paid individuals

The five top paid individuals of the Group for the year include 2 (2014: 2 directors) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 3 (2014: 3 directors) individuals during the year are as follows:

	2015	2014
Basic salaries, bonus, housing allowance, other allowances	2,950,000.00	2,658,000.00
Pension	302,000.00	302,000.00
<b>Total</b>	<b>3,252,000.00</b>	<b>2,960,000.00</b>

	Number of individuals	
	2015	2014
Emolument range:		
HKD0 – HKD1,000,000	-	-
HKD1,000,001 – HKD1,500,000	3	3
HKD1,500,001 – HKD2,000,000	-	-

##### (7). Others

Meiguan Company, the Company's wholly-owned subsidiary, entered into a relocation compensation agreement with Joint Land Company, pursuant to which the Joint Land Company has agreed to pay relocation compensation to Meiguan Company for relocation of Meilin Checkpoint Renewal Land. The amount of relocation compensation will be determined by an expert jury on the basis of the valuation report issued by the evaluation institution. Based on the results of the valuation by China United Assets and verification conducted by the Company, the relocation compensation amount was finalized to RMB28,328,230.00 and reached mutual consent of Meiguan Company and Joint Land Company.

On 30 December, 2015, Guishen Land Company signed transfer agreement with Shenzhen International Logistics. See details in Note V. 6.

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

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

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

Item	Related parties	31 December 2015		31 December 2014	
		Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Accounts receivables	Coastal Company	281,255,696.39	-	340,620,152.60	-
Accounts receivables	Baotong Company	2,337,298.33	-	2,295,854.23	-
Accounts receivables	Longda company	20,050.00	-	-	-
Other receivables	Huayu Investment	31,580,381.94	-	-	-
Other receivables	Joint Land Company	28,328,230.00	-	-	-
Other receivables	Coastal Company	3,918,992.36	-	-	-
Other receivables	Huayu Company	20,000.00	-	20,000.00	-
Other receivables	Longda Company	10,000.00	-	10,000.00	-

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

Item	Related parties	31 December 2015	31 December 2014
Accounts payable	Coastal Company	1,015,000.00	1,000,000.00
Accounts payable	United Electronic Company	101,665.72	-
Accounts payable	Longda company	25,000.00	85,000.00
Accounts payable	Huayu Company	16,000.00	45,000.00
Accounts payable	SC Logistics Company	12,000.00	12,000.00
Accounts payable	Shenzhen International	1,200.00	3,500.00
Advances from related parties	SIHCL	767,828.50	-
Advances from related parties	Coastal Company	744,000.00	-
Other payables	GZ W2 Company	40,750,000.00	37,500,000.00
Other payables	Nanjing Third Bridge	33,526,376.43	33,526,376.43
Other payables	United Electronic Company	384,999.13	5,000.00
Other payables	Guangzhou Cement	40,000.00	40,000.00
Other payables	Shenzhen International	5,000.00	5,000.00

##### 7. Commitments to related parties

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

###### (1). Investment commitment

The Company jointly set up a Joint Land Company with Xin Tong Chan Company, a wholly-owned subsidiary of Shenzhen International. The Company and Xin Tong Chan Company will make capital contributions in cash to the Joint Land Company in proportion to their respective equity interests if additional capital is required by Joint Land Company. The aggregate capital contributions (including initial capital contribution and subsequent capital injection) of both parties shall not exceed RMB5,000million, in which the Company's aggregate capital contributions shall not exceed RMB2,450million. Up to 31 December 2015, the Company has made cash contribution to Joint Land Company amounted to RMB553.7million. The remaining investment commitment is RMB1,896.3million accordingly(2014: RMB2,420.6million).

## Shenzhen Expressway Company Limited

### Notes to financial statements

#### For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

## X. Commitments and contingencies

### 1. Significant commitments

#### (1). Capital commitments

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

	31 December 2015	31 December 2014
Expressway construction projects	122,367,117.88	133,255,934.78

As at 31 December 2015 and 31 December 2014, the joint ventures had no capital commitments.

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

	31 December 2015	31 December 2014
Contracted but not yet recognised on the balance sheet	104,797,401.76	110,563,248.39

#### (3). Investment commitment

As at 31 December 2015, the Group's investment commitments amounted to RMB 1,896,300,000.00(2014: RMB2,420,600,000.00), which mainly represented the Group's capital injection commitment to Joint Land Company. Detailed information is disclosed in Note X.7(1).

## 2. Contingencies

### (1). Significant contingencies at balance sheet date:

- (a) The Company was entrusted by Shenzhen Transportation Bureau to manage the construction project of Nanping Phase II Project. Pursuant to the contract, the Company had arranged with bank to issue irrevocable performance guarantees to Shenzhen Transportation Bureau amounting to RMB15,000,000.00.
- (b) The Company was entrusted by Shenzhen Traffic Public Facilities Construction Center to manage the construction project of Longda Municipal Section. Pursuant to the contract, the Company had arranged with bank to issue irrevocable performance guarantees to Shenzhen Traffic Public Facilities Construction Center amounting to RMB2,000,000.00.

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### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

#### XI. Commitments and contingencies (continued)

##### 2. Contingencies (continued)

###### (1). Significant contingencies at balance sheet date (continued)

- (c) The Company was entrusted by Shenzhen Longhua New Area Construction Management Center to manage the construction project of the Intersection of Dezheng Road in Shenzhen Longhua New Area with Shenzhen Longda Expressway and the construction project of the extension of the eastern section of Dezheng Road. Pursuant to the contract, the Company had arranged with bank to issue irrevocable performance guarantees to Shenzhen Longhua New Area Construction Management Center amounting to RMB35,850,000.00.
- (d) The company was entrusted by Shenzhen Longhua New Area Construction Management Center to manage the construction project of Guanlan People Road to Meiguan rode. Pursuant to the contract, the Company had arranged with bank to issue irrevocable performance guarantees to Shenzhen Longhua New Area Construction Management Center amounting to RMB25,273,500.00.
- (e) Consulting Company, a subsidiary of the Company, was entrusted to carry out business regarding construction consulting, exploration and design, test and detection, etc. In accordance with relevant commission contract, Consulting Company arranged with bank to issue irrevocable performance guarantees to the trustor amounting to RMB 89,942,047.92.
- (f) Arbitration in progress

Upon the government approval, Qinglian Company upgraded Qinglian Class I Highway to an expressway and the project was completed on 25 January 2011. In 2011, Qingyuan Fengyun Eco-tourism Development Company Limited sued against Qinglian Company in Qingyuan Intermediate Court for the closing of exits of expressway due to construction. Qinglian Company was judged to win in the first trial. Qingyuan Fengyun Eco-tourism Development Company Limited appealed to the High Court of Guangdong Province. The High Court of Guangdong Province judged a trial de novo executed by Qingyuan Intermediate Court and the Company still win in this trial de novo. As at the date of approval of these financial statements, the litigation was still in progress. Considering the nature of project and construction status of upgrading project, the directors of the Company considered that the outcome of the litigation would not lead to any significant impact on the Company's operating results.

#### XII. Events after the balance sheet date

##### 1. Significant unadjusted events after the balance sheet date

- (1). The Company engaged to have independent traffic consultant to re-evaluate the standard traffic volume of Nanguang, Yanba, Yanpai and Qinglian Expressways during the remaining concession periods. From 1 January 2016 onwards the four expressways will adjust the amortisation unit from RMB4.22, RMB3.98, RMB1.49 and RMB25.19 to RMB4.71, RMB4.49, RMB1.97 and RMB26.54, respectively.

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

#### XII. Events after the balance sheet date (continued)

##### 1. Significant unadjusted events after the balance sheet date (continued)

- (2). On 15 January 2016, the 11th Meeting of the Seventh Board of Directors of the Company passed proposal on approval of incentive plan of restricted A-shares, assessment methods for management and implementation of equity shares incentive (Draft) and proposal on requesting Shareholders' General Meeting to authorise Board of Directors to handle incentive plan of restricted A-shares of the Company. The incentive plan proposed to issue additional restricted A-shares of the Company to targeted incentive objects, of which the proposed restricted shares amounted to 17.19 million shares.
- (3). The Board approved the concession intangible asset agreement of Shenzhen Section of Shenzhen Outer Ring Expressway (Coastal Expressway – Shenshan Expressway Section) (the "Outer Ring (Section A)") at 18 March 2016. In addition, Outer Ring Company, a subsidiary of the Company and Shenzhen Special Economic Zone Construction and Development Company Limited, a company established and wholly-owned by the Shenzhen government, signed a joint investment construction agreement.

According to the current proposal, the investment budget for Outer Ring (Section A) is approximately RMB20.59 billion, among which, the Group will invest RMB6.5 billion and entitle to the operating revenue and undertake the operating cost, relevant taxes and risks of the project for a term of 25 years, and the cost overruns will be assumed or financed by Shenzhen Special Economic Zone Construction and Development Company Limited. The Company is responsible for construction management Outer Ring (Section A), the construction management service revenue is calculated by 1.5% of the construction budget (excluding compensation for land expropriation and resettlement fee). Scheme of management objectives control bonus (penalty) is set, of which, investment management objectives bonus (penalty) is calculated based on 10% of the difference between the construction management service revenue and construction budget. The abovementioned proposal is subject to the approval at the general meeting of the Company.

##### 2. Dividend distribution

Dividends proposed to distribute	
Final dividends proposed by the Board of Directors on 18 March 2016 which is subject to the approval in the shareholders' meeting	RMB741,461,910.84

#### XIII. Other significant matters

##### 1. Segment information

###### (1). The recognition and accounting policies of reportable segment:

The reportable segments of the Group are the business units that provide different products or service, or operate in the different areas. Different businesses or areas require different technologies and marketing strategies. Therefore, the Group separately manages the production and operation of the reportable segment and evaluates its operating results in order to make decisions about resources to be allocated to the segment and to assess its performance.

The Group has one reportable segments, namely toll road segment. Toll road segment takes charge of operation and management of toll roads in mainland China.

Other businesses are principally comprised of management services, advertising services and other services. The Group has no inter-segment revenues. These businesses do not compose separate reportable segments.

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

### XIII. Other significant matters (Continued)

#### 1. Segment information (Continued)

##### (2). Segment information

Year 2015	Toll road	Other	Unallocated	Total
Revenue from external customers	3,014,057,419.87	406,520,915.32	-	3,420,578,335.19
Cost of services	1,419,449,529.10	-	-	1,419,449,529.10
Interest income	97,277,883.50	21,992,323.80	5,209,828.10	124,480,035.40
Interest expense	444,507,177.81	14,352,269.53	-	458,859,447.34
Share of profit of associates and joint ventures under equity method	248,425,215.11	-451,739.02	-	247,973,476.09
Asset impairment loss	620,000,000.00	-	-	620,000,000.00
Depreciation and amortization	866,209,174.13	26,448,384.18	6,229,290.11	898,886,848.42
Total profit	1,653,462,074.32	101,607,851.34	-82,743,038.90	1,672,326,886.76
Income tax expenses	153,571,623.24	23,605,305.14	-	177,176,928.38
Net profit	1,499,890,451.08	78,002,546.20	-82,743,038.90	1,495,149,958.38
Total assets	28,906,760,110.67	2,004,472,015.84	759,422,961.90	31,670,655,088.41
Total liabilities	15,861,073,982.20	683,432,323.38	165,068,260.73	16,709,574,566.31
Long-term equity investments in associates and joint ventures	1,428,700,494.08	554,189,530.51	-	1,982,890,024.59
Additions to non-current assets other than financial assets, long-term equity investments and deferred income tax assets	4,742,220,355.06	30,207,643.28	5,051,844.18	4,777,479,842.52

Year 2014	Toll road	Management service	Other	Unallocated	Total
Revenue from external customers	3,007,632,196.48	503,436,013.28	109,289,270.32	-	3,620,357,480.08
Cost of services	1,469,574,017.81	-	-	-	1,469,574,017.81
Interest income	93,308,657.03	579,134.69	329,398.80	13,720,103.60	107,937,294.12
Interest expense	515,185,510.41	9,767,633.06	-	-	524,953,143.47
Share of profit of associates and joint ventures	183,413,925.80	-	3,628,351.91	-	187,042,277.71
Depreciation and amortisation	944,028,500.70	1,038,767.64	32,249,495.47	6,842,186.34	984,158,950.15
Total profit	2,718,525,956.45	306,498,305.73	6,054,441.19	-64,160,689.11	2,966,918,014.26
Income tax expenses	650,499,073.11	36,244,498.17	8,704,913.61	-	695,448,484.89
Net profit	2,068,026,883.34	270,253,807.56	-2,650,472.42	-64,160,689.11	2,271,469,529.37
Total assets	22,980,137,472.67	301,072,894.17	869,309,018.57	178,804,823.61	24,329,324,209.02
Total liabilities	10,381,194,615.33	623,197,316.94	92,542,414.08	112,217,267.53	11,209,151,613.88
Long-term equity investments in associates and joint ventures	1,644,072,924.08	-	51,417,648.26	-	1,695,490,572.34
Additions to non-current assets other than financial assets, long-term equity investments and deferred income tax assets	116,452,931.83	17,358.00	4,721,068.26	2,262,249.98	123,453,608.07

##### (3). Other disclosure

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

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

#### XIV. Notes to the Company's financial statements

##### 1. Accounts receivables

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

Categories	31 December 2015					31 December 2014				
	Ending balance		Provision for bad debts		Book value	Ending balance		Provision for bad debts		Book value
	Amount	% of total balance	Amount	Ratio		Amount	% of total balance	Amount	Ratio	
Individually significant and provision separately made	-	-	-	-	-	-	-	-	-	-
Provision made collectively	495,255,623.24	100.00	-	-	495,255,623.24	530,410,157.03	100.00	-	-	530,410,157.03
- Group 1	464,820,092.41	93.85	-	-	464,820,092.41	507,026,089.06	95.59	-	-	507,026,089.06
- Group 2	30,435,530.83	6.15	-	-	30,435,530.83	23,384,067.97	4.41	-	-	23,384,067.97
Not individually significant but provision separately made	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>495,255,623.24</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>495,255,623.24</b>	<b>530,410,157.03</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>530,410,157.03</b>

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

Ageing	31 December 2015		
	Accounts receivable	Provision for bad debts	Ratio
Within 1 year	30,368,864.16	-	-
1 to 2 years	66,666.67	-	-
<b>Total</b>	<b>30,435,530.83</b>	<b>-</b>	<b>-</b>

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

Categories	Amounts	Provision for bad debts	% of total balance
Total balances from five largest accounts receivables assembled	471,933,601.57	-	95.29%



## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

##### 2. Other receivables

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

Categories	31 December 2015					31 December 2014				
	Ending balance		Provision for bad debts		Book amount	Ending balance		Provision for bad debts		Book amount
	Amount	% of total balance	Amount	% of total balance		Amount	% of total balance	Amount	% of total balance	
Individually significant and provision separately made	-	-	-	-	-	-	-	-	-	-
Provision made collectively	1,269,557,969.42	100.00	-	-	1,269,557,969.42	736,893,668.46	100.00	-	-	736,893,668.46
- Group 1	1,268,960,891.68	99.95	-	-	1,268,960,891.68	735,455,095.46	99.80	-	-	735,455,095.46
- Group 2	597,077.74	0.05	-	-	597,077.74	1,438,573.00	0.20	-	-	1,438,573.00
Not individually significant but provision separately made	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,269,557,969.42</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,269,557,969.42</b>	<b>736,893,668.46</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>736,893,668.46</b>

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

Aging	31 December 2015		
	Other receivables	Provision for bad debts	% of total balance
Within 1 year	579,634.74	-	-
1 to 2 years	793.00	-	-
2 to 3 years	16,650.00	-	-
<b>Total</b>	<b>597,077.74</b>	<b>-</b>	<b>-</b>

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

Item	31 December 2015	31 December 2014
Loans to related companies	913,563,870.59	275,167,376.10
Advances	354,296,038.18	460,115,624.66
Others	1,698,060.65	1,610,667.70
<b>Total</b>	<b>1,269,557,969.42</b>	<b>736,893,668.46</b>

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

##### 2. Other receivables (Continued)

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

Categories	Nature	Amount	Aging	% of total balance	Bad debt provision at 31 December 2015
Qinglong Company	Loans	580,603,835.62	Within 1 year	45.73%	-
Guishen Company	Loans	311,000,000.00	Within 1 year	24.50%	-
Mei Wah Company	Advances	201,700,232.44	Within 1 year	15.89%	-
Airport-Heao Eastern Company	Advances	137,479,262.45	Within 1 year	10.83%	-
Qinglian Company	Loans	21,960,034.97	Within 1 year	1.73%	-
<b>Total</b>		<b>1,252,743,365.48</b>		<b>98.68%</b>	<b>-</b>

##### 3. Long-term equity investments

Item	31 December 2015			31 December 2014		
	Carrying amount	Impairment	Net book value	Carrying amount	Impairment	Net book value
Subsidiaries	5,421,798,100.36	(678,765,149.21)	4,743,032,951.15	4,931,294,313.53	-	4,931,294,313.53
Joint ventures	161,475,129.93	-	161,475,129.93	158,764,459.37	-	158,764,459.37
Associates	1,817,310,916.29	-	1,817,310,916.29	1,536,726,112.97	-	1,536,726,112.97
<b>Total</b>	<b>7,400,584,146.58</b>	<b>(678,765,149.21)</b>	<b>6,721,818,997.37</b>	<b>6,626,784,885.87</b>	<b>-</b>	<b>6,626,784,885.87</b>

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

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

###### (1). Subsidiaries

Investee	31 December 2014	Addition	Investment cost recovered	Impairment	Addition from acquisition of subsidiaries	31 December 2015	Cash dividend declared	Impairment provided in the current year
Airport-Heao Eastern Company	917,766,902.94	-	97,085,063.42	-	-	820,681,839.52	253,252,238.56	-
Meiguan Company	534,219,058.11	-	1,860,559.55	-	-	532,358,498.56	94,486,698.85	-
Qinglong Company	-	-	-	-	164,269,052.70	164,269,052.70	23,600,000.00	-
Advertising Company	3,325,000.01	-	-	-	-	3,325,000.01	11,433,514.54	-
Mei Wah Company	831,769,303.26	-	-	-	-	831,769,303.26	-	-
Qinglian Company	2,064,214,049.21	-	-	678,765,149.21	-	1,385,448,900.00	-	678,765,149.21
Outer Ring Company	100,000,000.00	-	-	-	-	100,000,000.00	-	-
Expressway Investment Company	380,000,000.00	-	-	-	-	380,000,000.00	-	-
Luyun Company	100,000,000.00	400,000,000.00	-	-	-	500,000,000.00	-	-
Consulting Company	-	-	-	-	25,180,357.10	25,180,357.10	-	-
<b>Total</b>	<b>4,931,294,313.53</b>	<b>400,000,000.00</b>	<b>98,945,622.97</b>	<b>678,765,149.21</b>	<b>189,449,409.80</b>	<b>4,743,032,951.15</b>	<b>382,772,451.95</b>	<b>678,765,149.21</b>

The Company uses cost method to account for investments in the above subsidiaries.

As stated in Note V.24(2)(a), the full amount of principal and interest of the Company's corporate bonds is unconditionally and irrevocably guaranteed by China Construction Bank Corporation, which is in turn secured by the Company's 100% equity interest in Meiguan Company.

###### (2). Investment in joint ventures and associates

The detailed information of joint ventures and associates are set out in Note V.10.

## Shenzhen Expressway Company Limited

### Notes to financial statements

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

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

##### 4. Capital surplus

2015	31 December 2014	Addition	Reduction	31 December 2015
Share premium	2,315,587,934.74	-	-	2,315,587,934.74
<b>Total</b>	<b>2,315,587,934.74</b>	<b>-</b>	<b>-</b>	<b>2,315,587,934.74</b>

2014	31 December 2013	Addition	Reduction	31 December 2014
Share premium	2,315,587,934.74	-	-	2,315,587,934.74
<b>Total</b>	<b>2,315,587,934.74</b>	<b>-</b>	<b>-</b>	<b>2,315,587,934.74</b>

##### 5. Undistributed profits

Item	2015	2014
Undistributed profits at the beginning of the year	4,217,315,471.69	2,737,730,736.05
Add: Net profit attributable to equity holders of the Company in current year	312,929,383.85	2,031,675,542.00
Less: Appropriation for statutory surplus reserve	31,292,938.38	203,167,554.20
Dividends	981,346,646.70	348,923,252.16
Undistributed profits at the end of the year	3,517,605,270.46	4,217,315,471.69

##### 6. Revenue and costs of services:

Item	31 December 2015		31 December 2014	
	Revenue	Cost	Revenue	Cost
Main businesses	1,199,206,996.97	467,183,895.96	1,162,400,569.97	462,472,880.85
Other businesses	72,576,786.25	33,381,804.17	300,253,662.82	147,719,649.17
<b>Total</b>	<b>1,271,783,783.22</b>	<b>500,565,700.13</b>	<b>1,462,654,232.79</b>	<b>610,192,530.02</b>

##### 7. Investment income

Item	2015	2014
Income from long-term equity investments under cost method	382,772,451.95	1,436,760,071.59
Income from long-term equity investments under equity method	247,973,476.09	187,042,277.71
Income from available-for-sale assets	3,000,000.00	-
<b>Total</b>	<b>633,745,928.04</b>	<b>1,623,802,349.30</b>

**Shenzhen Expressway Company Limited**

**Supplementary information**

**For the year ended 31 December 2015**

(All amounts in RMB unless otherwise stated)

**Supplementary Information**

- I. Detailed list of non-recurring profit or loss items
- II. Return on net assets and earnings per share

## Shenzhen Expressway Company Limited

### Supplementary information

For the year ended 31 December 2015

(All amounts in RMB unless otherwise stated)

#### I. Detailed list of non-recurring profit or loss items

	Amount	Note
Gains from shares held before combinations involving enterprises not under common control measured at fair value	904,017,332.82	In the current year, Qinglong Company and Consulting Company were included in the consolidated financial statements of the Group as entities not under common control. Gain or loss arising from equity shares acquired before the acquisition date was recalculated per fair value.
Interest income from the Compensation resulted from the toll adjustment of Meiguan Expressway	72,470,804.21	
The amortisation of compensation provided by concession grantor	19,010,445.80	
Profits from entrusted management services	17,778,666.66	
Interest income generated from compensation for toll charge adjustment of the Three expressways	12,019,232.87	
Other profit or loss items that meet the definition of non-recurring profit or loss	36,960,320.11	
Impact of income tax	(34,595,107.75)	
Impact of minority interests (after tax)	(2,402,082.54)	
<b>Total</b>	<b>1,025,259,612.18</b>	

Basis for preparation of detailed list of non-recurring profit or loss items

Under the requirements in Explanatory announcement No. 1 on information disclosure by companies offering securities to the public – non-recurring profit or loss (2008) (“Explanatory announcement No.1”) from CSRC, non-recurring profit or loss refer to those arise from transactions and events that are not directly relevant to ordinary business, or that are relevant to ordinary business, but are so extraordinary that would have an influence on users of financial statements making proper judgments on the performance and profitability of an enterprise.

#### II. Return on net assets and earnings per share

Profits of reporting period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary owners of the Company	12.94	0.712	0.712
Net profit after deducting non-recurring profit or loss attributable to ordinary owners of the Company	4.39	0.242	0.242