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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 2018 Interim Results Preliminary Announcement released by Shenzhen Expressway Company Limited, a subsidiary of the Company.

Hong Kong, 17 August 2018

As at the date of this announcement, the board of directors of the Company consists of Messrs. Gao Lei, Li Hai Tao, Zhong Shan Qun, Liu Jun and Hu Wei as executive directors, Messrs. Xie Chu Dao and Liu Xiao Dong as non-executive directors and Messrs. Leung Ming Yuen, Simon, Ding Xun, Nip Yun Wing and Dr. Yim Fung, JP 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)

2018 Interim Results Preliminary Announcement

I. Important Notice

1.1 Important Notice

2018 Interim Results Preliminary Announcement of the Company is extracted from full Interim Report 2018 of the Company. For detailed information, investor shall read the full interim report to be published on the website of SSE at <http://www.sse.com.cn> and HKEx at <http://www.hkexnews.com.hk>.

The 2018 interim 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 share	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. Interim Profit Distribution Proposal

The Board does not recommend any payment of 2018 interim dividend (2017 Interim: Nil), nor does it recommend any conversion of capital reserve into share capital.

III. Principal Financial Data and Information of the Shareholders

3.1 Principal Financial Data

During the Reporting Period, the Group recorded revenue of RMB2,677,523,000, representing a YOY increase of 26.99%. Due to the consolidation of Coastal Company as business combination involving entities under common control, the data of the same period of the previous year needs to be adjusted retroactively. After restatement, revenue recorded a YOY increase of 16.91%. In particular, toll revenue amounted to RMB2,462,485,000, accounting for 91.97% of the Group's revenue, which is the main source of revenue of the Group.

In the first half of 2018, the Group recorded net profit attributable to owners of the Company ("net profit") of RMB968,653,000 (2017 interim (restated): RMB704,884,000), representing a YOY increase of 37.42%. This was mainly due to the growth of toll revenue recorded by the toll highways previously operated and invested by the Group during the Reporting Period, the revenue contributed by newly acquired projects such as Derun Environment, Yichang Expressway, etc. and the recognition of compensation income from Meilin Checkpoint Renewal Project.

Unit: RMB

	As at 30 Jun 2018 (Unaudited)	As at 31 Dec 2017 (Audited)		Change (%)
		Before	After	
Total assets	44,400,224,976.83	44,014,984,643.90	37,473,826,542.60	0.88%
Owners' equity attributable to owners of the Company	13,992,543,328.54	13,633,010,893.87	13,618,079,670.58	2.64%

	2018 Interim (Unaudited)	2017 Interim (Unaudited)		Change (%)
		Before	After	
Revenue	2,677,522,763.36	2,290,290,639.01	2,108,385,017.98	16.91%
Net profit attributable to owners of the Company	968,653,293.65	704,883,594.51	741,730,838.13	37.42%
Net profit attributable to owners of the Company - excluding non-recurring items	787,960,143.95	715,638,486.17	713,531,127.69	10.11%
Net cash flows from operating activities	1,595,145,985.86	1,315,358,353.68	1,162,162,186.34	21.27 %
Return on equity - weighted average (%)	6.91	4.87	5.72	Increase 2.04 pct.pt
Earnings per share - basic (RMB/share)	0.444	0.323	0.340	37.42%
Earnings per share - diluted (RMB/share)	0.444	0.323	0.340	37.42%

During the Reporting Period, due to the change of accounting policy and the consolidation of the Coastal Company under common control into the Group consolidation scope, according to the relevant requirements of the Accounting Standards for Business Enterprises, the Company adjusted the consolidated statement of financial position on 31 December 2017, the consolidated statement of profit or loss for the six months ended 30 June 2017 and the consolidated statement of cash flows for the six months ended 30 June 2017, for the details, please refer to the note III\29 and note IV of the financial report.

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

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

Unit: share

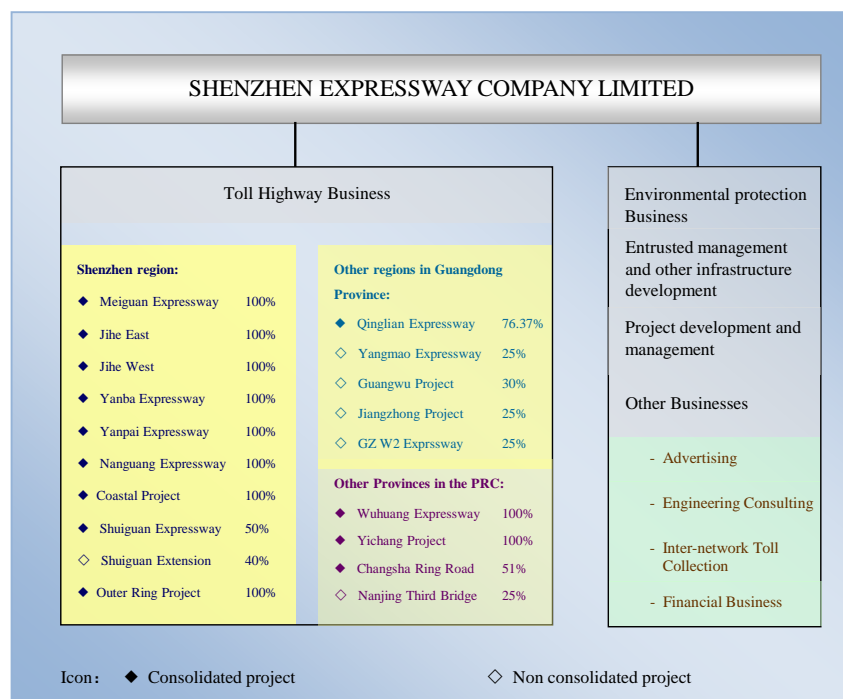
Total number of shareholders as at the end of the Reporting Period	The Company had 18,078 shareholders in total, including 17,847 holders of A Shares and 231 holders of H Shares.				
The top ten shareholders as at the end of the Reporting Period					
Name of shareholder	Nature of shareholders	Percentage	Number of shares held	Number of restricted circulating shares held	Number of shares pledged or frozen
HKSCC NOMINEES LIMITED ^{note(1)}	Overseas legal person	33.33%	726,937,099	—	Unknown
Xin Tong Chan Development (Shenzhen) Company Limited	Domestic non-state-owned legal person	30.03%	654,780,000	—	None
Shenzhen Shen Guang Hui Highway Development Company	Domestic non-state-owned legal person	18.87%	411,459,887	—	None
China Merchants Expressway Network & Technology Holdings 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
PICC Property and Casualty Company Limited-Tradition-Return Portfolio	Domestic non-state-owned legal person	0.49%	10,767,068	—	Unknown
Hong Kong Securities Clearing Company Ltd	Domestic non-state-owned legal person	0.37%	8,017,568	—	Unknown
Tempo Asset Management Company- Tempo Jinma China New Normal Private Equity Investment Fund	Domestic non-state-owned legal person	0.31%	6,801,612	—	Unknown
ZHANG PING YING	Domestic natural person	0.28%	6,023,400	—	Unknown
Connected relationship or concerted action relationship among the abovementioned shareholders	XTC Company and SGH Company are connected persons under the same control of Shenzhen International. There is no connected relationship among the state-owned shareholders in the above table. The Company did not notice any connected relationship among the other abovementioned shareholders or any connected relationship among the abovementioned state-owned shareholders and other shareholders.				
Note:					
(1) The H shares held by HKSCC NOMINEES LIMITED were held on behalf of various clients.					

IV. Management Discussion and Analysis

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

4.1 Business Review

At this stage, the Group's revenues and profits are mainly derived from toll highway operations and investments, and the profit contribution by environmental protection business is gradually emerging. In addition, the Group provides outstanding construction management and highway operation management services for the government and other enterprises. Building on the relevant management experiences and resources and relying on its core business, the Group has launched businesses such as project development and management, advertising, engineering consulting, inter-network toll collection and financial businesses, etc. The principal business of the Group is set out as follows:



In the first half of 2018, the Group earnestly managed the toll highway projects and the entrusted management business and steadily developed new types of business. During the Reporting Period, the Group recorded revenue of approximately RMB2,678 million, representing a YOY increase of 16.91%, of which toll revenue of approximately RMB2,462 million, entrusted management services revenue of approximately RMB45 million, real estate development revenue of approximately RMB111million, advertising and other business revenue of approximately RMB60million accounted for 91.97 %, 1.66%, 4.14 %, and 2.23% of the total revenue of the Group, respectively.

(I) Toll Highway Business

1. Analysis of Operating Environment

(1) Operating Environment

In the first half of 2018, China's GDP grew by 6.8% year-on-year, down by 0.1 percentage points from the same period in 2017. The overall economic operation was basically stable. However, under the macro background of controlling leverage, as the credit environment of the real economy continued to tighten, domestic demand has weakened. At the same time, due to the deterioration of the international trade environment, the growth rate of import and export has declined. It is expected that the domestic economy will face downward pressure under the impact of the shrinking of internal and external demand in the second half of the year. In the first half of 2018, the regional GDP of Guangdong Province and Shenzhen recorded a YOY growth of 7.1 % and 8% respectively, which were higher than the national average. The economic growth remained stable, which was conducive to the general growth of the regional transportation and logistics demand via highway. Under the combined effect of various factors in the macro and regional economic environments, the Group's overall operational performance in toll highway projects maintained stable during the Reporting Period. Source of data: Government statistics information website.

(2) Policy Environment

The policies for the toll highway industry had no significant changes in the first half of 2018.

Based on the original toll-by-weight policy for trucks, the Provisions on the Administration of Use of Roads by Overloaded Transportation Vehicles (Order of the Ministry of Transport 2016 No. 62) (the "Administrative Provisions") have been implemented nationwide starting from late September 2016. The implementation of the new Administrative Provisions has a negative impact on traffic volume of trucks and toll revenue of the Group. However, it has a positive effect on the comprehensive governing of over-limit and overloaded vehicles, maintaining the safety of roads and bridges, decreasing the number of traffic accidents, reducing highway maintenance fee and lengthening the useful life of highways.

In recent years, in order to promote structural reform of supply side and facilitate the reduction of costs and improvement of efficiency in the logistics industry, the State Council and the traffic management departments at all levels of the State have issued a series of policies and measures: The State Council has selected some expressways to participate in the pilot projects for differentiated charges in different time periods from the latter part of August 2017, to scientifically and reasonably determine the level of vehicle tolls. From 00:00 on 1 July 2017, Guangdong Province has implemented a preferential policy (the "Preferential Policy") by offering a 15% discount on truck toll for 43 expressways in the province, provided that the prevailing basic toll rate and charging rules of centralised toll collection for freight vehicles remain unchanged. Since the highway projects under the Group have not currently been included in the above pilot scope or implementation scope of the Preferential Policy, there has been no effect on toll revenue of the Group. In addition, some provinces have implemented preferential toll policies successively to provide different range of discounted rates for legally loaded trucks by using electronic payment

method. Such policies have varied effects on toll revenues of the Group's toll highway projects in different regions. In the first half of 2018, the State Council clearly proposed to promote the abolition of provincial boundary highway toll stations as one of the important measures to reduce the logistics cost of the real economy. The implementation of this policy will have no substantial impact on the Company's toll revenue, but it can promote the efficiency of traffic. There is a positive impact on reducing the Company's labor costs and management costs, etc. The Group will closely monitor the development trend of the policies, and maintain a positive and effective communication with the government with a view to safeguarding the interests of the Company and shareholders. Moreover, the Standardisation Scheme implemented by Guangdong Province and the nationwide policies of Toll Free Scheme on Holidays and Green Passage Toll Free Policy in recent years still posed negative impact on toll revenues of the projects. However, the impact on YOY changes of projects' revenues has been eliminated generally.

2. Business Performance and Analysis

In the first half of 2018, the traffic volume and toll revenue of most of the highway projects in which the Group operated and invested continued to grow. Basic operational statistics of each project during the Reporting Period are as follows:

Toll highway ⁽²⁾	Average daily mixed traffic volume (number of vehicles in thousand) ⁽¹⁾			Average daily toll revenue (RMB'000)		
	2018Interim	2017Interim	YOY	2018Interim	2017Interim	YOY
Guangdong Province – Shenzhen Region :						
Meiguan Expressway	95	87	8.4%	336	324	3.7%
Jihe East	279	257	8.6%	2,024	1,882	7.6%
Jihe West	214	207	3.3%	1,746	1,657	5.3%
Coastal Expressway ⁽³⁾	89	82	9.3%	1,189	1,079	10.2%
Shuiguan Expressway	231	219	5.7%	1,717	1,696	1.2%
Shuiguan Extension	110	99	11.5%	316	296	7.0%
Guangdong Province – Other Regions :						
Qinglian Expressway	43	41	5.1%	2,139	2,056	4.1%
Yangmao Expressway	52	48	8.2%	1,845	1,791	3.0%
Guangwu Project	39	36	8.1%	866	818	6.0%
Jiangzhong Project	142	137	3.0%	1,268	1,192	6.3%
GZ W2 Expressway	76	65	17.6%	1,485	1,133	31.2%
Other Provinces in the PRC :						
Wuhuang Expressway	55	50	9.1%	1,050	1,028	2.2%
Yichang Project ⁽⁴⁾	51	N/A	N/A	1,132	N/A	N/A
Changsha Ring Road ⁽⁵⁾	33	29	12.3%	384	336	14.3%
Nanjing Third Bridge	35	33	6.8%	1,362	1,280	6.4%

Notes:

- (1) Traffic volume which is toll free during holidays is not included in the figures of average daily mixed traffic volume.
- (2) According to the agreement signed between the Company and Shenzhen Transport Commission, Yanba Expressway, Yanpai Expressway and Nanguang Expressway should become toll free from 0:00 on 7 February 2016. The Company calculated and recognised the revenue according to the agreed method under the agreement.

- (3) Coastal Company has been included into the consolidated financial statements of the Group since 8 February 2018.
- (4) As the Group completed the acquisition of 100% equity interests in Yichang Company in June 2017, Yichang Company has been consolidated into the consolidated financial statements of the Group since 15 June 2017.
- (5) Shenchang Company has been included into the consolidated financial statements of the Group since 1 April 2017. The main business of Shenchang Company is operation and management of Changsha Ring Road.

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

(1) Guangdong Province – Shenzhen Region

During the Reporting Period, the total toll revenue of toll highway projects of the Group in Shenzhen region recorded a YOY growth. With the continuous improvement of the transportation network in Shenzhen, coupled with the cancellation of toll collection of certain expressways and local roads, the traffic distribution and composition of the road network in Shenzhen have also changed. After the adjusted toll collection scheme on the Meiguan Expressway was implemented in April 2014, toll-free section of Meiguan Expressway stimulated the continuous growth of traffic volume of the toll section itself. Toll-free policy has been implemented for Yanpai Expressway, Yanba Expressway and Nanguang Expressway from 00:00 on 7 February 2016. The Company calculates and recognises revenues from these highways according to the method specified in the agreement. The growth of traffic volume of these toll-free projects also drove the traffic growth of the connecting Jihe Expressway and Shuiguan Expressway. However, the Provisions on the Administration of Use of Roads by Overloaded Transportation Vehicles has been implemented nationwide since late September 2016, which has caused negative impact on the freight volume and toll revenue of Jihe Expressway and Shuiguan Expressway. As the Group completed the acquisition of 100% equity interests in Coastal Company, Coastal Project has been consolidated into the consolidated financial statements of the Group since 8 February 2018. In addition, according to the agreement of implementation of truck transportation toll adjustment by Coastal Project signed between Coastal Company and Shenzhen Transport Commission, all types of trucks passing through the Coastal Project will be charged a toll at 50% of the normal fee ("Toll Adjustment") from March 1, 2018 to December 31, 2020, and Shenzhen Transport Commission will give a compensation of RMB302 million to Coastal Company. The implementation of this Toll Adjustment policy is expected to help drive the growth of freight traffic along the Coastal Project and have a positive effect on the future operation performance of the Coastal Project.

(2) Guangdong Province – Other Regions

During the Reporting Period, Yangmao Expressway was affected by the traffic diversion of its parallel section -- the opened Yunzhan section of the Shanzhan Expressway and the continuous impact of the implementation of the stringent policy governing overlimit and overloaded vehicles, the natural growth factor of the traffic volume was dampened, and its average daily traffic volume and toll revenue of Yangmao Expressway both maintain low YOY increase. Benefited from the positive implications of factors such as the economic growth in the areas along the expressways, change in road network and implementation of traffic administration measures, both the average daily traffic volume and toll revenue of GZ W2 Expressway kept a high YOY growth. The traffic diversion effect of the surrounding road network on the Guangwu Project still existed, but it has gradually been surpassed by the natural growth of traffic, and the average daily toll revenue showed a steady YOY growth. The Guangzhongjiang Expressway opened at the end of 2017 has a slight

diversion effect on the Jiangzhong Project, and road network penetration effect has a positive impact on it, which resulted the average daily traffic volume and toll revenue of Jiangzhong Project a slight YOY increase.

The diversion effect of Guangle Expressway and Erguang Expressway on Qinglian Expressway has been basically steadily, but the Guisan Expressway (Guilin-Sanjiang), which was opened at the end of October 2017, diverted some of the transit traffic volume from the Qinglian Expressway to the adjacent provincial boundaries. During the Reporting Period, the average daily traffic volume and toll revenue of Qinglian Expressway was increased as compared with the same period of the previous year.

(3) Other Provinces

During the Reporting Period, due to the combined effects by factors such as diversion of competitive road sections and rapid growth of vehicle ownership in surrounding cities, the operational performance of Wuhuang Expressway was generally stable. Due to the positive impact of factors such as peripheral and regional economic development and the implementation of preferential policies for transportation within the province, the average daily traffic volume and toll revenue of Nanjing Third Bridge recorded a steady YOY growth. Benefiting from the positive impact of various factors including the improvement of road network, implementation of toll-by-weight, implementation of traffic control measures of neighbouring roads and the business growth of enterprises along the highway, the toll revenue of Changsha Ring Road maintained a relatively rapid YOY growth. Benefited from the comprehensive impact of economic growth in northwestern Hunan and surrounding road construction and traffic control, etc., Yichang Expressway's operating performance was stable during the Reporting Period.

3. Business Management and Upgrade

(1) Explore the Opportunities for Establishing Intelligent Transportation and Enhance Service Efficiency

With rapid development of the Internet of logistics and information technology, intelligent transportation has become the development trend of general management of modern traffic. In recent years, the Group has commenced strategic cooperation with professional research institutions and technical teams to integrate technological resources and actively promote the research and implementation of intelligent transportation, with a view to providing traffic volume guidance, traffic jam governing, traffic information and other functions in the region through the research and application of technologies, including vehicle identification technology, highly-precise map, artificial intelligence and integration of traffic related big data. During the Reporting Period, the Group signed a strategic cooperation framework agreement with Baidu Netcom Science and Technology Co., Ltd. The two parties intended to integrate resources, relying on the Group's infrastructure resources and operational management experience, combined with Baidu's big data, artificial intelligence, and Internet technology advantages, carry out extensive cooperation in smart expressway, smart environmental protection, etc., and take the major highway construction project as an opportunity to jointly promote intelligent transportation infrastructure construction, management and services. In late June 2018, the Group's [Shenzhen e Traffic]APP Integrated Service Platform ("Shenzhen e Traffic") with its own intellectual property rights was officially launched, and it was the first to achieve senseless payment and actual operation in Guangdong Province. Shenzhen e Traffic integrates a number of technical modules such as license plate recognition, electronic invoice, aggregation payment, cloud platform, mobile payment data platform, etc., and supports various mainstream payment methods such as WeChat and Alipay, etc. Car owners can realise senseless payment pass function by binding their license plates with payment accounts, and can also scan code to make the payment. AT the first stage, the business has functions such as electronic invoice, bill inquiry, map navigation, etc. At the second stage, it will also provide on-line consulting services, rescue services, news broadcasting, point malls,

advertising media and many other functions. Through the development and application of intelligent transportation technology, the Group can not only improve the quality and efficiency of operational services and reduce operating costs, but also open up new market businesses by exporting intelligent transportation technologies and services.

(2) Deepen the Marketing of Road Network and Actively Attract Traffic

Relying on the database for traffic distribution of the road networks and vehicle models across Guangdong Province, and by way of site inspections, route comparison and data analysis, the Group continuously tracked the changes of road networks and traveling directions of the vehicles in the region, and formulated and implemented targeted marketing and promotional measures to promote the advantages of road networks and projects through various ways, thereby attracting more drivers to use the roads of the Group and facilitating the growth of the toll revenue. During the Reporting Period, Qinglian Company has focused on the Spring Festival marketing, holiday marketing and “the marketing of the integration of traffic and tourism”, boosted traffic volume by promoting the advantages of road network and implementing tourism co-marketing. By adopting mobile applications and traditional media, Magerk Company carried out multifaceted promotion on the advantages of Wuhuang Expressway in terms of its routes, service and price, with a view to attracting traffic. Leveraging on the neighbouring well-connected road networks such as Jianguo Expressway, Jiangzhong Expressway commenced promotion on road networks to boost traffic volume. Capitalising on the opportunities arising from implementation of traffic control measures of neighbouring road networks the traffic of GZ W2 Expressway was also boosted by various channels including multifaceted promotion and guidance by signage.

4. Business Development

Outer Ring Project is a toll highway project invested by the Group according to the PPP model. The Group invested RMB6.5 billion in return of 25 years’ of income from Section A (including Phase I and Phase II) of Outer Ring and bear operating costs, related taxes and risks. SZCDGC, which is established and wholly-owned by the Shenzhen Government, would bear or raise money for the excess portion. As at the end of the Reporting Period, the Group completed approximately 98% of land resumption, approximately 99% of housing demolition and relocation in aggregate, and the land resumption and housing demolition and relocation work has been basically completed. The total length of Phase I of the Outer Ring Section A is about 50.74 kilometers. The construction of roadbed, culvert and bridge pile foundation has been fully carried out. The total length of Phase II of the Outer Ring Section A is about 9.35 kilometers. Currently, the civil engineering, housing construction and pavement have been carried out. For details of Outer Ring Project, please refer to the relevant contents on the Company's announcement dated 18 March 2016 and the circular dated 25 April 2016.

The proposal about the Company's acquisition of 100% equity interests in Guangshen Coastal Expressway (Shenzhen Section, including Coastal Phase I and Coastal Phase II) has been approved by the general meeting of Shenzhen International and the Company on 5 February 2018 and 8 February 2018, respectively. Pursuant to the acquisition agreement, the Company acquired 100% equity interests in Coastal Project at a consideration of RMB1,472 million. The transaction has been completed during the Reporting Period. Coastal Expressway is an important core passage going through the north-south of the Pearl River Delta region. It is also an important corridor connecting Guangzhou, Shenzhen and Hong Kong within the Guangdong-Hong Kong-Macau Greater Bay Area. It enjoys an excellent geographical location and an economically viable neighborhood region. With the steady development of the regional economy along the Coastal Project and the constant improvement of its surrounding road networks, the operating performance of Coastal Project will enter a period of rapid growth. In the long run, the acquisition of 100% equity interests in Coastal Company by the Company at a reasonable price is in line with the development strategy and in the interests of the Company as a whole as it will help to enhance the

allocation efficiency of the Company's highway assets, stabilise the business scale of its core business of toll highway, thereby laying a foundation for the profit growth of the core business of the Company in the future. For details, please refer to the announcements of the Company dated 8 December 2017, 11 December 2017, 8 February 2018 and 28 February 2018, and the circular of the Company dated 23 January 2018. As at the end of the Reporting Period, Coastal Phase II project has completed approximately 90% of land resumption, approximately 76% of housing demolition and relocation in aggregate, as well as the construction bidding for the subgrade bridge, culvert, electromechanical and pavement, etc. in some contract sections. Currently, three contract sections are carrying out beam and pile foundation engineering construction.

To match the overall work plan and arrangement of the government's expressway construction and improve road safety and quality and the traffic environment, the Board of Directors have approved the preliminary work of the Group's preliminary design of the Jihe Expressway reconstruction and expansion project in January 2018. As at the end of the Reporting Period, the design plan and investment model of the project are still at the stage of consultation with the competent government departments.

The Company holds 25% equity interests in Guangdong Yangmao Expressway Co.,Ltd. ("Yangmao Company"). Upon approval by the Board of Directors of the Company, the Company signed a capital contribution agreement with other shareholders of Yangmao Company on 5 June 2018. According to the capital contribution agreement, the three shareholders of Yangmao Company will contribute a total of RMB3.024 billion (including RMB756 million by the Company) according to the proportion of shares held by them, respectively, to be used as the capital for Yangmao Expressway reconstruction and expansion project. Yangmao Expressway will be rebuilt and expanded according to the eight-lane standard. The total investment amount of the reconstruction and expansion project is about RMB8.64 billion. For details, please refer to the announcement of the Company dated 5 June 2018. Yangmao Expressway has a total length of 79.76 kilometers, and a favorable geographical position. After operating for more than ten years, it has shown a steadily growing operating performance. It has brought a good return on investment to the Company. As the economy along Yangmao Expressway grows, its transportation demand will continue to increase. The reconstruction and expansion of Yangmao Expressway can further leverage its line position and enhance its commercial value, which is in line with the company's development strategy and overall interests.

(II) Environmental Protection Business

As clearly stated in the Group's new development strategies, in order to open up a broader space for the Group's long-term development, the Group will proactively explore the investment prospects and opportunities of the further environmental protection industry that takes water environment remediation and solid waste treatment as the main content while consolidating and enhancing the core business of toll highway. The Group has established Environmental Company as a market-oriented platform for expanding businesses in relation to the environmental protection industry.

The Group subscribed for 15% of the equity interests in Water Planning Company in 2017. Water Planning Company is one of the first comprehensive survey and design organisation in the PRC to commence integrated water design. It processes 7 A-grade qualifications in areas such as water conservancy industry, municipal water supply and drainage, comprehensive engineering survey and surveying etc. It is one of the top 500 PRC enterprises in the field of survey and design, and one of the top 50 PRC enterprises in the field of water conservancy survey and design. By investing in Water Planning Company at a reasonable price, the Company would be able to achieve reasonable investment return, at the same time expanding into the water environmental remediation field from a high starting point. This will help the Company to acquire resources for technological research and development in respect of water environmental remediation and urban water planning, expand market channels, achieve complementary advantages along the industrial chain with related cooperating parties, thereby assisting the Company to rapidly enhance its competitiveness in market of water environmental remediation.

In 2017, Environmental Company, a wholly-owned subsidiary of the Group, acquired 20% equity interests in Derun Environment. Derun Environment is a comprehensive environmental enterprise with majority owned subsidiaries including Chongqing Water and Sanfeng Environment, etc., and with major business segments including water supply and sewage treatment, waste incineration power generation, environmental restoration, etc. Chongqing Water is mainly engaged in urban water supply and sewage treatment, and basically occupies the city's water supply and sewage treatment market, with stable earnings and abundant cash flow. Sanfeng Environment is a large-scale environmental protection group integrating investment, construction, integrated equipment and operation management in domestic waste incineration power generation field. It is mainly engaged in the investment of waste incineration power generation projects, EPC (Engineering Procurement Construction), equipment manufacturing and operation management of the whole industry chain service, with a complete set of core technologies such as waste incineration and flue gas purification, and third-generation tube-type membrane treatment and other core technologies. As at the end of the Reporting Period, Sanfeng Environment has invested and signed 27 waste incineration power generation projects and 31 BOT contracts, which can dispose of 42,400 tons of domestic garbage per day, and established the core equipment and technology applications for 255 waste incineration lines in 134 waste incineration power generation projects in 115 cities around the world, which can dispose of over 130,000 tons of domestic waste every day. The Company has ranked among the leading echelon of the domestic environmental protection industry by acquiring equity interests in Derun Environment. On the one hand, it can expand the Company's environmental protection business and obtain a reasonable return on investment. On the other hand, it can carry out in-depth cooperation with domestic leading enterprises. During the Reporting Period, the Company's executive board of directors has approved the Environmental Company to establish a joint venture with SITA Asia under the Suez Group to conduct business cooperation in hazardous waste disposal, sanitation integration and water environment remediation, etc.

The Group has expanded into various segments of the environmental protection industry from a high starting point by successfully acquiring the equity interests in two leading environmental protection enterprises such as the Water Planning Company and the Derun Environment., By collaborating with industrial leaders and complementing each other's advantages, the Group has achieved synergy of talents and technological resources, regional competitiveness and marketability, and carried out in-depth cooperation such as joint project investment and regional market development with a view to enhancing the market competitiveness of the Group. Moreover, in conjunction with the regional expansion strategy, the Group has participated in comprehensive urban development and construction, thereby rapidly expanding into the area of construction and operation of environmental protection projects such as water treatment of river channels, integrated management of solid waste and waste power generation.

For details of the profits regarding Derun Environment during the Reporting Period, please refer to the relevant content in "Financial Analysis" below and note V\13 to the Financial Statements in this announcement.

With the approval of the Board, the Investment Company and CCCC Tianjin Dredging Co., Ltd. have jointly established a consortium to participate in the investment, construction and management of the Nanmen River Comprehensive Treatment Project in the Shenzhen-Guangdong-Shanwei Special Cooperation Zone. As at the end of the Reporting Period, the project has been approved, and the preliminary approval of the project land pre-examination was being carried out in an orderly manner. The works that met the operating conditions have started construction, and more than 50% of the overall image progress has been completed.

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

(III) Entrusted Management and the Development of Other Infrastructure

Relying on the core business of toll highway and building on relevant management experience and resources, the Group has launched or engaged in the business of entrusted management. Through entrusted construction management business and the entrusted operation management business, also known as entrusted construction business and entrusted management business, and leveraging its expertise and experience accumulated in the relevant areas throughout these years, the Group has realised reasonable revenues and returns from the receipt of management fee and/or bonus according to the calculation methods as agreed with the entrusting parties through provision of services relating to construction management and toll highway operation management. In addition, the Group also attempts to use its own financial resources and financing capability to participate in the construction and development of local infrastructure so as to obtain reasonable revenues and returns.

1. Entrusted Construction Business

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

During the Reporting Period, all the work of the entrusted construction projects has been carried out in good order. In particular, for the relevant information on the progress of Outer Ring Project, please refer to the relevant content in above description of “Business Development” in this chapter. The construction of four toll stations of the first batch of Cargo Organisation Adjustment Project were underway, with a total investment of approximately RMB1.07 billion and it is expected that the construction for the first batch of toll stations will be completed in August 2018 and delivered at the end of 2018. As at the end of the Reporting Period, the acceptance work and completion settlement audit of the construction of Wangguan Comprehensive Resettlement Project Phase II in Longli, Guizhou have been completed. The main work of Entrusted Construction Project on Hengwu Road and Hengliu Road in Longli, Guizhou was completed and accepted. The entrusted construction project of Guizhou Logistics Harbour by Shenzhen International has been completed and delivered for use. Furthermore, the completion settlement and government audit of Meiguan Toll Station, Dezheng Road Project, Coastal Phase I, auxiliary project of Longda Municipal Section and Guanlan Renmin Road-Meiguan Expressway Joints Project were underway.

2. Entrusted Operation Business

On 30 December 2015, the Company and Baotong Company renewed the entrusted management agreement, pursuant to which, the Company continued to be entrusted to carry out the operation management of Longda Project under the model of equity management. During the Reporting Period, each of the management tasks was smoothly carried out. The entrusted term was extended to 31 December 2018.

For details of the profits as well as incomes and expenses of various entrusted management businesses during the Reporting Period, please refer to the content in “Financial Analysis” below and the relevant content in Note V\41 to the Financial Statements in this announcement.

3. Development and Management of Other Infrastructure

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

As at the end of the Reporting Period, land levelling and related auxiliary projects regarding Shenzhen-Shanwei Special Cooperation Zone has completed approximately 50% of the image progress basically, and the whole project is scheduled to be fully completed by the end of 2019.

Duohua Bridge Project is about 2.2 km long in total, the major construction work of the project is the construction of Duohua Bridge. It is a municipal project invested by the government of Longli County, Guizhou through Guilong Industry, its platform company. The investment budget of the project was approximately RMB900 million and the construction period of the project is expected to be approximately 3 years. On 29 March 2018, Longli County Government, Guilong Industrial and Guishen Company signed an investment cooperation agreement for the project. According to the investment cooperation agreement, Guishen Company is responsible for raising construction funds, and Guilong Industrial will pay project fee to Guishen Company according to the contract. For details, please refer to the announcement of the Company dated 29 March 2018. As at the end of the Reporting Period, relevant tendering work for survey, design and supervision was underway.

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.

(IV) Development of New Industries

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

1. Development and Management of Land Projects

(1) Guilong Development Project

With the improvement of Guilong Road and the infrastructure in peripheral regions and the development of the whole Guilong Economic Zone, it is expected that the peripheral land of Guilong Project will have great potential for appreciation. In order to effectively reduce the risk of fund recovery from Guilong Project and realise expected or even more incomes from the project, Guishen Company actively engages in the land tenders within the development area of Guilong Project. From 2012 up to the Reporting Date, Guishen Company has successfully won the bid for the land with an area of approximately 2,655 mu (approximately 1,770,000 square meters) with a total transaction amount of approximately RMB896 million, of which 504 mu has been transferred, 1,045 mu is under secondary development and the remaining land will be used for secondary development or transfer. Guishen Company has set up certain wholly-owned subsidiaries to hold and manage the land use rights of the land parcels mentioned above.

With the approval of the Board, Guishen Company is adopting a progressive development strategy by phases. It has conducted secondary self-development for certain land parcels acquired, which has an area of 1,045 mu (approximately 697,000 square meters). As at the end of the Reporting Period, a total of 147 sets of houses of Phase I Stage I of Guilong Development Project (also known as “Interlaken Town Project”) (approximately 112 mu, equivalent to 75,000 square meters) have been completed, 144 sets of which have been delivered for use. Currently, a total of 169 sets of houses of Phase I Stage II (approximately 134 mu, equivalent to 89,000 square meters) have been fully delivered to use. The Interlaken Town Phase II Development Project (approximately 389 mu, equivalent to 260,000 square meters) launched 238 sets of houses during Phase II Stage I. As at the end of the Reporting Period, 232 sets of houses have been sold, the main work has been basically completed. It is planned to complete the completion acceptance and handover before the end of 2018. The Phase II Stage II project is mainly for commercial supporting property. 51 sets out of the first batch of 60 commercial properties have been contracted for sale, and related constructions were underway, and the project is expected to be completed and delivered in the first half of 2019.

During the Reporting Period, the Phase III Development Project (approximately 229 mu, equivalent to 153,000 square meters) has been put into construction, of which Stage I project would provide 271 sets of houses, which were opened for sale in July 2018, and the project is expected to be completed before the end of 2020.

In order to quickly withdraw funds and realise the market value of the land, the Company's executive Board approved in May 2018 that the Group transfer 100% equity interests and creditor's rights in Guizhou Yuelong Investment Co., Ltd. by public listing. That company held about 296 mu of Guilong land. As at the reporting date, the transfer has been officially listed by the Shenzhen United Assets and Equity Exchange to determine the transferee and sign the equity and creditor transfer contract, the transaction price is about 180.8 million. In addition, in July 2018, the Board approved the Group's overall transfer 100% equity interests and creditor's rights in Guizhou Shengbo, Guizhou Hengfengxin, Guizhou Henghongda and Guizhou Yehengda [Four Companies] by public listing with the listing price being not less than the sum of the assets assessment results of the Four Companies, and also being not less than 550.80 million. The main assets of these Four Companies are holding about 810 mu of Guilong land. As at the end of the Reporting Period, the transfer was at the stage of fulfilling the auditing and filing procedures for the management of state-owned assets.

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

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

(2) Urban Renewal Project

Pursuant to the relevant agreement and the approval of the general meeting of the Company, the Company (through its wholly-owned subsidiary Meiguan Company) and Shenzhen International (through XTC Company, its wholly-owned subsidiary) jointly contributed capital to establish United Land Company. Being the reporting entity and implementing entity of Meilin Checkpoint Renewal Project, the Company and XTC Company own 49% and 51% equity interests of United Land Company respectively. Meilin Checkpoint Renewal Project occupies a land area of approximately 96,000 square meters, which shall be used for residential and commercial purposes, and a capacity building area of not more than 486,400 square meters (including public facilities). United Land Company has acquired the land use right of the land as planned. For details, please refer to the Company's announcements dated 8 August 2014, 10 September 2014 and 8 October 2014 and the circular dated 17 September 2014. Enjoying a good location, the land price of the Meilin Checkpoint Renewal Project has certain advantages over the market price of the surrounding land, including higher investment value and more rooms for appreciation. As at the end of the Reporting Period, United Land Company has basically completed the demolition and relocation work, and Vanke is the entrusted construction and management party of the project. The project

construction was carried out in an orderly way.

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

In addition, in the context of major changes in the market environment and large differences in compensation time points and benchmarks for different compensation targets, Meiguan Company and United Land Company signed a supplementary agreement based on the principle of fairness in April 2018. According to the supplementary agreement, United Land Company has increased the compensation with 9,120 square meters of office building for Meiguan Company's property involved in the Meilin Checkpoint Renewal Project. This transaction will increase the Company's net profit attributable to shareholders in 2018 by approximately RMB131 million. However, considering the factors such as the confirmation and verification of the cost, the time value of the currency and the future development model, etc., this transaction had a slight impact on the Group's total revenue from Meilin Checkpoint Renewal Project. For details, please refer to the announcement of the Company dated 27 April 2018.

In order to ensure the quality of the project, improve the project management level and overall return, and achieve the project's expected goals, United Land Company planned to increase the capital contribution on the existing basis. After it was approved at the meeting of the Board of Directors held on 24 July 2018, the Company would abandon the pre-emptive right of the capital increase. United Land Company intended to be publicly listed on the Shenzhen United Assets and Equity Exchange, using competitive negotiation to conduct a review, and introducing a professional real estate developer as a strategic investor. The listing price is not less than 2.9 billion. After the capital increase is completed, the strategic investors will have 30% interests in United Land Company. For details, please refer to the announcement of the Company dated 24 July 2018. As at the reporting date, the capital increase was being listed on the Shenzhen United Assets and Equity Exchange.

(V) Other Business

The Group subscribed for the additional shares issued by Bank of Guizhou in 2015 and 2016 respectively. As at the end of the Reporting Period, the Group held a total of 426,000,000 shares of Bank of Guizhou. The equity interests held by the Group accounted for approximately 3.44% of the total share capital of Bank of Guizhou after the capital increase. As Bank of Guizhou has a good cash dividend capability and huge rooms for development, the subscription for additional shares in Bank of Guizhou can optimise the Company's asset allocation and bring a good synergy to the Company's follow-up infrastructure investment and business operation in the relevant areas. For details of the investment income from Bank of Guizhou, please refer to relevant content in "Financial Analysis" below.

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

Consulting Company, held as to 24% by the Company, is a professional engineering consulting company with independent legal status. Its business scope covers pre-consultation, survey and design, tendering agency, cost consulting, engineering supervision, engineering experiment and testing, maintenance consulting, etc., with the qualification and capability of providing consulting services to the whole process of investment and construction of engineering project.

Guangdong UETC, held as to 12.86% by the Company, is principally engaged in electronic clearing business of the toll highways in Guangdong Province, including investment, management and services of electronic toll and clearing systems, and the sales of related products.

With the approval of the Board, the Company established Shenzhen Expressway (Guangzhou) Industrial Investment Fund Management Company Limited in December 2017 as the Group's investment channel and a platform for incubating projects, to acquire equity interests in transport and environmental protection enterprises in market-oriented operation model, and cultivate transport industry and environmental protection industry projects for the Company. As at the end of the Reporting Period, the Fund Company has not yet initiated the establishment of a fund to carry out investment mergers and acquisitions business.

During the Reporting Period, each of the above businesses proceeded smoothly and has met the Group's expectation in general. Due to the limitation on the scales or investment modes, the contributions from these businesses currently only account for a very small proportion of the Group's revenue and profit. For details of other businesses during the Reporting Period, please refer to the relevant content in Note V\13 and Note V\41 to the Financial Statements in announcement.

4.2 Financial Analysis

In the first half of 2018, the Group recorded net profit attributable to owners of the Company ("net profit") of RMB968,653,000 (2017 interim (restated): RMB704,884,000), representing a YOY increase of 37.42%. This was mainly due to the growth of toll revenue recorded by the toll highways previously operated and invested by the Group during the Reporting Period, the revenue contributed by newly acquired projects such as Derun Environment, Yichang Expressway, etc. and the recognition of compensation income from Meilin Checkpoint Renewal Project.

(I) Analysis of Main Business

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

Unit: '000 Currency: RMB

Item	Amount for the current period	Amount for the corresponding period of last year (restated)	Changes (%)
Revenue	2,677,523	2,290,291	16.91%
Cost of services	1,282,860	1,123,346	14.20%
Selling expenses	6,618	7,792	-15.06%
General and administrative expenses	42,196	40,516	4.15%
Financial expenses	500,549	349,666	43.15%
Investment income	288,612	246,591	17.04%
Income tax expenses	267,748	202,011	32.54%

Item	Amount for the current period	Amount for the corresponding period of last year (restated)	Changes (%)
Net cash flows from operating activities	1,595,146	1,315,358	21.27%
Net cash flows from investing activities	-333,724	-5,064,707	-93.41%
Net cash flows from financing activities	-976,750	1,311,824	N/A

2. Revenue

During the Reporting Period, the Group recorded revenue of RMB2,677,523,000, representing a YOY increase of 26.99%. Due to the consolidation of Coastal Company as business combination involving entities under common control, the data of the same period of the previous year needs to be adjusted retroactively. After restatement, revenue recorded a YOY increase of 16.91%. In particular, toll revenue amounted to RMB2,462,485,000, accounting for 91.97% of the Group's revenue, which is the main source of revenue of the Group. The detailed analysis of revenue is as follows:

Unit: '000 Currency: RMB

Revenue item	2018 interim	Percentage of total (%)	2017 interim (restated)	Percentage of total (%)	YOY change (%)	Description
Revenue from main business – toll highways	2,462,485	91.97%	2,152,109	93.97%	14.42%	(1)
Revenue from other businesses – entrusted management services	44,519	1.66%	20,400	0.89%	118.23%	(2)
Revenue from other businesses – real estate development	110,811	4.14%	55,783	2.44%	98.65%	(3)
Revenue from other businesses – advertising and others	59,708	2.23%	61,998	2.71%	-3.70%	
Total revenue	2,677,523	100.00%	2,290,291	100.00%	16.91%	

Description:

- (1) During the Reporting Period, the Group recorded a YOY increase of 14.42% in toll revenue, in which the increased toll revenue of RMB224,879,000 during the Reporting Period was resulted from the consolidation of Shenchang Company and Yichang Company into the Group's financial statement since 1 April 2017 and 16 June 2017 respectively. The toll revenue of other ancillary toll highways recorded a YOY increase of 4.07%, which was mainly due to the fact that most of the ancillary toll highways recorded certain extent of growth benefitting from the organic growth of traffic volume. In addition, pursuant to the agreement on toll adjustments for the Three Projects signed by the Company with the Transport Commission of Shenzhen Municipality, the Company recognised compensation for the toll revenue from the Three Projects of RMB341,731,000 according to the agreement during the Reporting Period. Detailed analysis of the operational performance of various projects during the Reporting Period is set out in the "Business Review" above. Breakdown of revenue by specific component is set out in Point (III) below.
- (2) During the Reporting Period, the revenue from entrusted management services recorded a YOY increase of 118.23%, mainly due to the addition of entrusted construction management projects during the Reporting Period and the progress of construction or the completion settlement and audit of some original projects, resulting in an increase in revenue from the entrusted management services.
- (3) During the Reporting Period, the revenue from real estate development recorded a YOY increase of 98.65%, mainly due to the YOY increase in the number of delivered units in the current period of Guilong Development Project.

3. Cost of Services

During the Reporting Period, the cost of services of the Group amounted to RMB1,282,860,000 (2017 interim (restated): RMB1,123,346,000), representing a YOY increase of 14.20%. After excluding the effect of the change of scope of consolidation, the cost of services for the Reporting Period recorded a YOY increase of 5.58%, which was mainly due to the YOY increases in employee expenses, road maintenance expenses, and depreciation and amortisation expenses of other ancillary toll highways with the traffic volume increase, and carry-forward of real estate development costs of Guilong Development Project. The detailed analysis of cost of services is as follows:

Unit: '000 Currency: RMB

Breakdown by industry							
Industry	Cost item	2018 interim	Amount for 2018 interim as a percentage of total costs (%)	2017 interim (restated)	Amount for 2017 interim as a percentage of total costs (%)	YOY change (%)	Description
Cost of main business – toll highway	<i>Employee expenses</i>	165,352	12.89	144,790	12.89	14.20	(1)
	<i>Road maintenance</i>	68,221	5.32	64,163	5.71	6.33	
	<i>Depreciation and</i>	824,890	64.30	724,271	64.47	13.89	(2)
	<i>Other business costs</i>	106,000	8.26	102,999	9.17	2.91	
	Sub-total	1,164,462	90.77	1,036,223	92.24	12.38	(3)
Cost of other businesses – entrusted management services		22,188	1.73	12,544	1.12	76.89	(4)
Cost of other businesses – real estate development		56,545	4.41	39,883	3.55	41.78	(5)
Cost of other businesses – advertising and others		39,664	3.09	34,696	3.09	14.32	
Total cost of services		1,282,860	100.00	1,123,346	100.00	14.20	

Description:

- (1) Mainly represents the increase and salary rise of toll collection staff, and the consolidation of Shenchang Company and Yichang Company into the Group's financial statements, which has resulted in a YOY increase in the employee expenses.
- (2) Mainly represents the increase in traffic volume of each of the ancillary toll highways, and the consolidation of Shenchang Company and Yichang Company into the Group's financial statements, which has resulted in an increase in the costs of depreciation and amortisation.
- (3) Costs presented based on specific component are set out in "Breakdown of Cost of Services by Industry, Product and Region" in Point (III) below.
- (4) Cost of entrusted construction management services mainly represents employee expense related to the project management and other service cost payable based on the results of audit conducted by the government on the projects and the contractual commitment. During the Reporting Period, the cost of the entrusted management services increased year-on-year, which was mainly due to the increase of the entrusted construction management cost of Section A of Outer Ring.
- (5) Guilong Development Project carried forward of real estate development cost in relation to the commodity housing delivered during the Reporting Period.

4. Expenses

The Group's selling expenses for the Reporting Period amounted to RMB6,618,000 (2017 interim: RMB7,792,000), representing a YOY decrease of 15.06%, which was mainly due to the decrease in the marketing expenses of Guilong Development Project.

The Group's general and administrative expenses for the Reporting Period amounted to RMB42,196,000 (2017 interim: RMB40,516,000), representing a YOY increase of 4.15%. The increase was mainly due to the expansion of business scale, and the increase in the number of managerial staff during the Reporting Period.

The Group's financial expenses for the Reporting Period amounted to RMB500,549,000 (2017 interim (restated): RMB349,666,000), representing a YOY increase of 43.15%, which was mainly due to the interests expenses increased as the average borrowing scale of the Group increased, foreign liabilities and H-share dividends were affected by RMB depreciation and increased in exchange losses. During the Reporting Period, the Company continued to lock the foreign exchange swap transactions on US dollar bond, the exchange losses arising from US dollar bond and the fair value change income of the swap instruments basically achieved financial hedging. For details of the foreign exchange swap transaction, please refer to Point (II) below. In addition, during the Reporting Period, the conversion of the receivables from United Land Company into creditor's rights increased the interest income. During the Reporting Period, the comprehensive borrowing cost of Group was 4.7% (2017 (restated): 4.73%), which was 0.03 percentage points lower than that of 2017. For details of the changes in borrowing scale, please refer to "Analysis of Assets and Liabilities" below. The detailed analysis of financial expenses is as follows:

Unit: '000 Currency: RMB

Financial expenses item	2018 interim	2017 interim (restated)	Change (%)
Interest expenses	511,949	429,512	19.19
Less: Interest capitalised	29,711	8,028	270.10
Interest income	32,428	28,386	14.24
Add: Exchange gains and others	50,739	-43,432	N/A
Total financial expenses	500,549	349,666	43.15

During the Reporting Period, the Group's income tax expenses amounted to RMB267,748,000 (2017 interim: RMB202,011,000), representing a YOY increase of 32.54%, which was mainly due to the increase in the recognition of deferred income tax expenses resulting from housing demolition and relocation compensation income of Meilin Checkpoint Renewal Project, and the increase in taxable income.

5. Investment Income

During the Reporting Period, the Group's investment income amounted to RMB288,612,000 (2017 interim: RMB246,591,000), representing a YOY increase of 17.04%, which was mainly due to increase in investment income from newly acquired project Derun Environment, and the increase in income from toll highways operated by associates. Detailed analysis of investment income attributable to joint ventures and associates is as follows:

Unit: '000 Currency: RMB

Item	2018 interim	2017 interim	Change in amount
1. Investment income attributable to joint ventures and associates:			
Changsha Ring Road ^{Note 1}	-	7,080	-7,080
Shuiguan Extension	4,146	3,922	223
Guangwu Project	19,324	18,683	640
Yangmao Expressway	47,173	41,732	5,441
Jiangzhong Expressway	11,782	11,404	378
GZ W2 Expressway	29,014	19,720	9,294
Nanjing Third Bridge	27,916	25,330	2,586
Derun Environment	92,446	18,036	74,410
Bank of Guizhou	50,878	62,862	-11,984
Others ^{Note 2}	2,606	2,735	-130
Subtotal	285,283	211,505	73,779
2. Gain from valuation of the fair value of the original equity interest held after consolidation of entity which is not under common control	-	27,504	-27,504
3. Investment income from wealth management products	3,329	7,582	-4,253
Total	288,612	246,591	42,022

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

Note 2: Investment income attributable to the Consulting Company and the United Land Company.

6. Cash Flow

Descriptions on the reasons for changes in net cash flows from operating activities: The toll revenue of the Group's principal toll highway operations is collected in cash, thereby providing the Group with a steady operating cash flow. During the Reporting Period, the Group's net cash flow from operating activities and cash return on investments ^{Note} totalled RMB1,662,819,000 (2017 interim (restated): RMB1,412,262,000), representing a YOY increase of 17.74%, which was mainly attributable to an increase in the Group's net cash flows from operating activities as a result of the consolidation of Shenchang Company and Yichang Company into the Group's financial statements, and the receipt of compensation for Coastal Expressway freight adjustment during the Reporting Period.

Note: Aggregated figures of net cash inflows from operating activities and cash return on investments = Net cash flows from operating activities + Cash received from investments + Cash received from investments 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 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 the Group's recurring cash flow from the operating and investing activities.

Descriptions on the reasons for changes in net cash flows from investing activities: During the Reporting Period, the Group's net cash outflow from investment activity recorded a YOY decrease by approximately RMB4.7 billion, mainly due to the payment of equity purchases for Derun Environment and Yichang Company during the same period of the previous year.

Descriptions on the reasons for changes in net cash flows from financing activities: During the Reporting Period, the Group's net cash flow from fund raising activity decreased approximately RMB2.3 billion YOY, mainly due to the decrease in bank borrowing and the increase in repayment.

7. Amortisation Policies of Concession Intangible Assets and the Differences of Different Amortisation Methods

The Group's concession intangible assets are amortised based on the units-of-usage method. The amortised amount is calculated, based on usage amount per unit, by the percentage of the actual traffic volume in the respective periods to the total projected traffic volume during the toll operating period. The Group conducts regular review on the projected traffic volume and makes corresponding adjustments to ensure truthfulness and accuracy of the amortised amount. Details of this accounting policy and accounting estimates are set out in notes III\16(1) and 30(2) to the Financial Statements in this announcement.

During the preliminary stages of toll highways' operation and before reaching their designed saturated traffic volumes, the amortised amount calculated by the units-of-usage method is lower than that calculated by the straight-line method. During the Reporting Period, the difference in amortisation attributable to the Company calculated by using two amortisation methods based on its share of interests was RMB145 million (2017 interim (restated): RMB155 million), representing a decrease. The adoption of different amortisation methods had no impact on the cash flow generated from various toll highway projects and thus had no impact on the valuation of various projects.

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

1. Meilin Checkpoint Renewal Project Demolition and Relocation Compensation Income

On 27 April 2018, Meiguan Company and United Land Company signed a supplementary agreement to Meilin Checkpoint Renewal Project demolition and relocation compensation agreement. According to the supplementary agreement, United Land Company has increased the compensation with 9,120 square meters of office building for Meiguan Company's property involved in the Meilin Checkpoint Renewal Project. It is expected that Meiguan Company will receive a physical compensation of approximately RMB456,000,000 in the future. During the Reporting Period, the Group recognises the asset disposal income of approximately RMB342,600,000 and net profit of approximately RMB256,950,000 at the present value of the future value, and after offsetting the internal transaction gains and losses that were not realised, the net profit recorded an increase of RMB131,044,000. Details are set out in note V\47 of the Financial Statements in this announcement.

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

The Company issued a 5-year overseas debenture amounting to USD300 million on 18 July 2016. To mitigate the risks related to fluctuation in USD exchange rate, the Company entered into a foreign exchange swap transaction to lock in foreign exchange risk. During the Reporting Period, due to the depreciation of RMB, the Group recognised gains from changes in fair value of the swap transaction instrument of RMB10,166,000, which represents the exchange lock-in cost after deducting the exchange loss of RMB24,720,000 from the USD debenture held during the Reporting Period. Details are set out in note V\45 to the Financial Statements in this announcement.

(III) Analysis of Industry, Product or Regional Operation

1. Breakdown of Main Business by Industry and Product

Unit: '000 Currency: RMB

Breakdown of main business by industry						
Industry	Revenue	Cost of services	Gross profit margin (%)	YOY change in revenue (%)	YOY change in cost of services (%)	YOY change in gross profit margin (%)
Toll highway	2,462,485	1,164,462	52.71	14.42	12.38	Increase by 0.86 percentage points
Breakdown of main business by product						
Product	Revenue	Cost of services	Gross profit margin (%)	YOY change in revenue (%)	YOY change in cost of services (%)	YOY change in gross profit margin (%)
Qinglian Expressway	387,232	198,101	48.84	4.07	6.00	Decrease by 0.94 percentage points
Jihe East	366,433	150,664	58.88	7.58	7.06	Increase by 0.20 percentage points
Jihe West	315,996	55,088	82.57	5.34	4.89	Increase by 0.08 percentage points
Shuiguan Expressway	310,701	211,297	31.99	1.23	3.06	Decrease by 1.20 percentage points
Wuhuang Expressway	190,064	118,468	37.67	2.17	2.62	Decrease by 0.28 percentage points
Nanguang Expressway	176,915	80,417	54.54	6.05	-2.98	Increase by 4.23 percentage points
Yanpai Expressway	88,587	35,489	59.94	2.36	-2.20	Increase by 1.87 percentage points
Yanba Expressway	76,415	51,125	33.10	-14.99	-9.26	Decrease by 4.22 percentage points
Meiguan Expressway	60,739	34,250	43.61	3.67	2.60	Increase by 0.59 percentage points
Coastal Expressway	215,119	113,081	47.43	10.19	4.63	Increase by 2.79 percentage points
Subtotal	2,188,203	1,047,979	52.11	4.07	2.99	Increase by 0.50 percentage points
Yichang Expressway	204,808	94,829	53.70	N/A	N/A	Increase by 3.18 percentage points
Changsha Ring Road	69,474	21,655	68.83	N/A	N/A	Increase by 0.94 percentage points
Total	2,462,485	1,164,462	52.71	14.42	12.38	Increase by 0.86 percentage points

2. Breakdown of Main Business by Region

Unit: '000 Currency: RMB

Region	Revenue	YOY Change in revenue (%)
Guangdong Province	1,998,139	4.25
Hubei Province	190,064	2.17
Hunan Province	274,282	N/A
Total	2,462,485	14.42

Description:

During the Reporting Period, the overall gross profit margin of the Group's ancillary toll roads was 52.71%, representing a YOY increase of 0.86 percentage points. The gross profit margin increased or

decreased due to changes in toll revenue, special maintenance expenses and depreciation and amortisation expenses of each road section, but the overall change was slight.

(IV) Analysis of Assets and Liabilities

1. Assets and Liabilities

The Group's assets mainly comprise concession intangible assets in high-grade toll highways and equity investments in the enterprises operating toll highways, which accounts for 66.31% of its total assets, and cash at bank and on hand as well as other assets, which accounts for 10.25% and 23.44% of its total assets, respectively. As at 30 June 2018, the Group's total assets amounted to RMB44,400,225,000 (as at 31 December 2017 (restated): RMB44,014,985,000), representing a slight increase over the end of 2017.

As at 30 June 2018, the total outstanding amount of interest-bearing liabilities of the Group was RMB21,331,755,000 (as at 31 December 2017 (restated): RMB21,686,237,000), representing a decrease of 1.63% over the end of 2017, mainly contributed to the repayment of part of bank loans and the balance of the compensation for the Three Projects were reduced during the Reporting Period. In the first half of 2018, the Group's average borrowing scale was RMB21.4 billion (2017 interim (restated): RMB18.7billion), representing a YOY increase of 14.44%.

The detailed analysis of assets and liabilities is as follows:

Unit: '000 Currency: RMB

Name of item	Amount as at the end of the current period	Amount as at the end of the current period as a percentage of total assets (%)	Amount as at the end of the previous period (restated)	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
Prepayments	41,436	0.09	311,972	0.71	-86.72	(1)
Inventories	896,466	2.02	599,518	1.36	49.53	
Other receivables	2,469,814	5.56	173,693	0.39	1,321.94	(2)
Current portion of non-current assets	35,003	0.08	79,908	0.18	-56.20	(3)
Other current assets	57,415	0.13	39,367	0.09	45.85	(4)
Long-term receivables	4,500	0.01	16,519	0.04	-72.76	(5)
Other non-current assets	342,600	0.77	-	-	N/A	(7)
Accounts receivable	152,192	0.34	223,339	0.51	N/A	
Contract assets	92,819	0.21	-	-	N/A	
Available-for-sale financial assets	-	-	106,557	0.24	N/A	
Other non-current financial assets	162,510	0.37	-	-	N/A	
Financial liabilities at fair value through profit or loss	-	-	71,372	0.16	N/A	
Transactional financial liabilities	61,206	0.14	-	-	N/A	
Advances from customers	-	-	465,784	1.06	N/A	
Contract liabilities	621,617	1.40	-	-	N/A	
Short-term borrowings	1,528,397	3.44	2,518,256	5.72	-39.31	(8)
Employee benefits payable	47,115	0.11	168,822	0.38	-72.09	(9)

Descriptions:

- (1) Part of the land of Guilong Development Project was handed over and the prepaid land transfer fee was carried over to the inventories.
- (2) United Land Company completed the capital reduction procedures and the capital reduction was transferred to credit receivables.
- (3) Received part of the receivables from the Longli BT project.
- (4) Provision for prepaid VAT and its surcharge on advances from customers.
- (5) Receivable compensation interest for the toll adjustment of the Three Projects was classified to current portion of non-current assets.
- (6) Receivable compensation for the demolition and relocation of Meilin Checkpoint Renewal Project from United Land Company.
- (7) The effect of changes in accounting policies, the details please refer to note III\29 to the Financial Statements.
- (8) Return some bank loans.
- (9) Pay the employee performance bonus 2017.

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

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

Assets	Type	Bank	Scope of security	Term
Toll collection rights of Qinglian Project ^{Note 1}	Pledge	A consortium including China Development Bank, etc.	Principal and interests of bank loans in an aggregate amount of RMB5.9 billion	Until repayment of all liabilities by Qinglian Company under the loan agreement
100% equity interests in Meiguan Company	Pledge	China Construction Bank, Shenzhen Branch	Counter-guarantee for the irrevocable guarantee with joint liability in respect of the redemption of the corporate bonds with an amount of RMB800 million upon maturity	Until repayment of corporate bonds (principal and interests)
Toll collection rights of Outer Ring Expressway and all proceeds from the project ^{Note 2}	Pledge	A consortium including China Development Bank, etc.	Bank loans in an aggregate amount of RMB6.5 billion	Until repayment of all liabilities by Outer Ring Company under the loan agreement
Toll collection rights of Shuiguan Expressway ^{Note 3}	Pledge	Bank of China Shenzhen, Central Sub-branch Industrial and Commercial Bank of China, Futian Sub-branch Zheshang Bank, Shenzhen Branch	Principal and interests of the Bank loans in the total amount of RMB820 million	Until repayment of all liabilities under the loan agreement
45% equity interests in JEL Company ^{Note 4}	Pledge	The Hong Kong and Shanghai Banking Corporation Limited	Principal and interests of bank loans in an aggregate amount of HKD283 million	Until repayment of all liabilities under the loan agreement
Toll collection rights of Yichang Expressway ^{Note 5}	Pledge	Bank of China, Hunan Branch Industrial and Commercial Bank of China, Changsha Simenkou Sub-branch Industrial and Commercial Bank of China, Changde Deshan Sub-branch	Principal and interests of bank loans in an aggregate amount of RMB1.77 billion	Until repayment of all liabilities under the loan agreement
Toll collection rights of Coastal Expressway ^{Note 6}	Pledge	A consortium including China Development Bank, etc.	Principal and interests of bank loans in an aggregate amount of RMB5.4 billion	Until repayment of all liabilities under the loan agreement

Notes on mortgage and pledge of assets:

- (1) Pledged by Qinglian Company, a wholly-owned subsidiary of the Company. As at the end of the Reporting Period, the balance of such consortium loans withdrawn by Qinglian Company was RMB1,758 million.
- (2) The Outer Ring Company applied for a bank loan in an aggregate account of RMB6.5 billion from the consortium by pledging the proceeds and credits receivable from the toll collection rights and the operating activities of Outer Ring Expressway. As at the end of the Reporting Period, the balance of such consortium loans withdrawn by Outer Ring Company was RMB1,472 million.
- (3) Pledged by Qinglong Company, a controlled subsidiary of the Company, for applying bank loans. As at the end of the Reporting Period, the balance of such loans was RMB820 million.
- (4) Pledged by Mei Wah Company, a wholly-owned subsidiary of the Company, for applying bank loans in HKD. As at the end of the Reporting Period, the balance of such loans was HKD283 million.
- (5) Pledged by Yichang Company, a wholly-owned subsidiary of the Company, for applying bank loans. As at the end of the Reporting Period, the balance of such loans was RMB1,275 million.
- (6) Pledged by Coastal Company, a wholly-owned subsidiary of the Company, for applying bank loans from the consortium. As at the end of the Reporting Period, the balance of such consortium loans was RMB4,566 million.

3. Capital Structure and Debt Repayment Capability

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

Key indicators	30 June 2018	31 December 2017 (restated)
Debt-to-asset ratio (Total liabilities / Total assets)	63.60%	64.13%
Net borrowings-to-equity ratio ((Total borrowings – cash and cash equivalents) / Total equity)	118.70%	125.41%
	2018 Interim	2017 Interim (restated)
Interest covered multiple (Profit before tax + interest expenses) / Interest expenses)	3.60	3.22
EBITDA interest multiple (Earnings before interests, tax, depreciation and amortization / Interest expenses)	5.29	4.93

Note: After deducting the compensation for the advance payment of the Three Projects and the balance of the construction project funds of Outer Ring and Coastal Project Phase II, the debt-to-asset ratio is approximately 53.56%.

4. Liquidity and Cash Management

During the Reporting Period, the capital reduction in United Land Company was carried over to short-term credit receivables, the borrowing structure was optimised, and part of the short-term borrowings were repaid, leading to a significant increase in the net current assets of the Group. Based on the Group's financial status and capital needs, the Group will strengthen the overall fund arrangements for subsidiaries and key projects, continue to optimise the capital structure, maintain appropriate cash on hand, and sufficient bank credit lines to prevent liquidity risks.

During the Reporting Period, the Company used idle funds to purchase principal-guaranteed RMB wealth management products from cooperative banks on the condition that both safety and liquidity of capital reserve can be assured. As at the end of the Reporting Period, cash used in wealth management has been retrieved, and no deposit was placed in non-bank financial institutions or applied to investment in securities. Detailed information on wealth management products can be found in “Material Contract Progress” below.

Unit: million Currency: RMB

	30 June 2018	31 December 2017 (restated)	Change
Net current assets	174	-3,129	3,303
Cash and cash equivalents	2,147	1,885	262
Banking facilities available	14,392	13,524	868

5. Capital Expenditure Plan

As at the approval date of this report, the Group's capital expenditures mainly include the investment in Outer Ring project, the construction expenditures of projects such as Coastal Phase II project, and the investment in mechanical and electrical equipment in the auxiliary operation sections. It is estimated that by the end of 2020, the total capital expenditure of the Group will be approximately RMB5.2 billion. The Group plans to use its self-owned funds and bank loans to meet the funding needs. According to the assessment of the directors, the Group's financial resources and financing capabilities are currently able to meet the needs of various capital expenditures.

The Group's capital expenditure plan for the second half of 2018-2020 is as follows:

Unit: '000 Currency: RMB

Project	Second half of 2018	2019	2020	Total
I. Intangible assets and fixed assets investment				
Outer Ring Project	983,598	2,051,622	1,396,696	4,431,916
Reconstruction and expansion of Meiguan Expressway	3,222	1,200	-	4,422
Qinglian Project	25,126	8,692	6,575	40,393
Nanguang Project	9,348	56,910	2,340	68,598
Coastal Phase II	12,061	17,390	17,390	46,841
Other investments (mechanical and electrical equipment investment, etc.)	152,264	68,057	68,587	288,909
II. Equity investment				
Reconstruction and expansion of Yangmao Expressway	-	175,000	175,000	350,000
Total	1,185,618	2,378,871	1,666,589	5,231,078

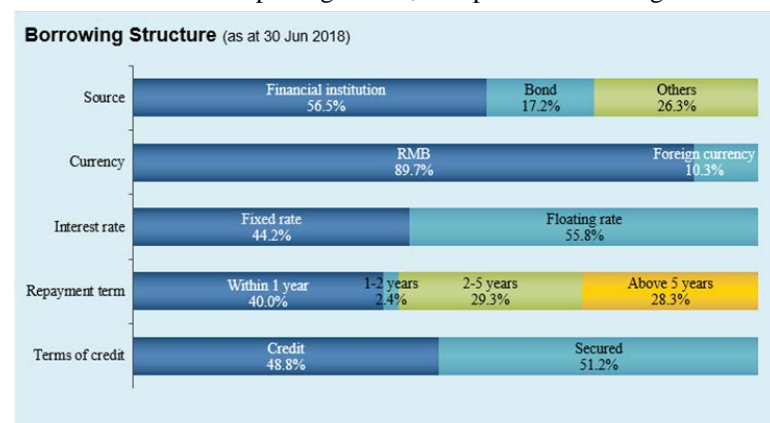
6. Financial Strategies and Financing Arrangements

During the Reporting Period, the stable and neutral monetary policy and the continuously strengthened financial supervision policies continued to be implemented. The scale of bank credit was tight and the price of funds remained high. During the Reporting Period, the Group used its self-owned funds and some bank loans to meet the capital needs of debt repayment, investment expenditures and dividend distribution, etc. The Group strived for low cost financing in various ways, while further reducing the proportion of short-term loans to optimize the debt structure and control financial risks during the Reporting Period. In the second quarter, the overall performance of the bond market improved. The Group launched the issuance of the Medium Term Note in a timely manner and successfully issued RMB

1 billion three-year medium-term notes and RMB 800 million five-year medium-term notes on 26 July and 13 August 2018 with a coupon interest rate of 4.14% and 4.49%, respectively. In addition, the convertible corporate bonds have obtained CSRC Administrative Licensing Application Receipt, and are being vigorously promoted for approval.

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

As at the end of the Reporting Period, the specific borrowing structure is shown as follows:



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

As at 30 June 2018, the Group had obtained a total of RMB29.2 billion of banking facilities, including RMB17.8 billion of credit facilities specifically for construction projects and RMB11.4 billion of general credit facilities. As at the end of the Reporting Period, un-utilised banking facilities amounted to RMB14.4 billion.

7. Contingencies

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

(V) Analysis of the Investment

1. External Equity Investments

(1) Material Equity Investments

During the Reporting Period, the total equity investment of the Group amounted to approximately RMB58 million (2017 interim: RMB5,686 million), representing a YOY decrease of RMB5,628 million, mainly due to the acquisition of equity interests in Derun Environment in the same period of the previous year. For details, please refer to the content in "Business Review" above. The details of material equity investments during the Reporting Period are as follows:

Unit: '000 Currency: RMB

Name of Investee company	Major business	Shareholding	Investment amount in 2018 interim	Description
Yangmao Company	Investment, construction and operation management of Yangjiang-Maoming Expressway and development of its supporting service projects	25%	57,500	Investment in Yangmao reconstruction and expansion project is estimated to be RMB8.64 billion (35% are self-raised funds), and the Company should invest RMB756 million according to the 25% shareholding ratio. During the Reporting Period, the Company paid RMB58 million according to shareholding ratio and project progress.

(2) Material Non-equity Investments

During the Reporting Period, the expenditures of the Group on material non-equity investments mainly comprised the settlements of projects such as construction of Outer Ring Project, upgrade of Qinglian Class I Highway to an expressway, and reconstruction and expansion for Meiguan Expressway, the investment in road properties and mechanical and electrical facilities of the highway sections operated by subsidiaries, and capital expenditures of the subsidiaries, totalling approximately RMB389,714,000. The investments in major projects are as follows:

Unit: '000 Currency: RMB

Project name	Project amount	Project progress	Amount invested during the Reporting Period	Actual accumulated amount invested	Gains from the project
Qinglian Project	6,125,390	100%	3,340	6,090,180	For details of the operational performance of projects (except for Outer Ring Project and Coastal Phase II, which are at the beginning stage of construction) during the Reporting Period, please refer to the Analysis of Main Business are set out above.
Nanguang Expressway	3,149,320	99%	1,717	3,080,637	
Reconstruction and expansion for Meiguan Expressway	696,302	100%	34,204	691,876	
Outer Ring Project	6,500,000	38%	300,014	1,537,993	
Coastal Phase II	1,000,000	22%	5,330	5,330	
Total	/	/	344,606	11,406,017	

(3) Financial Assets at Fair Value

During the Reporting Period, due to the adoption of the New Financial Instrument Standards by the Group, the equity investments recognised as “available-for-sale financial assets” in the previous year are classified as “financial assets at fair value through current profit or loss”, and listed them as "other non-current financial assets" in the statement, detail are set out in note III \29 and note V \11 of the Financial Statements in the this report.

(VI) Analysis of Major Controlling Companies and Participating Companies

Unit: '000 Currency: RMB

Company name	Percentage of interests held by the Group	Registered capital	30 June 2018		2018 interim			Principal business
			Total assets	Net assets	Revenue	Operating profit	Net profit/ (net loss)	
Meiguan Company	100%	332,400	714,885	808,325	67,172	376,776	282,103	Construction, operation and management of Meiguan Expressway.
Jihe East Company	100%	440,000	1,672,253	1,647,609	366,586	214,762	160,131	Construction, operation and management of Jihe East.
Mei Wah Company	100%	HKD 795,381	1,827,246	1,401,392	190,064	89,390	67,966	Indirectly holding 25% interests in Qinglian Company, 10% interests in Qinglong Company and 55% interests in Magerk Company.

Company name	Percentage of interests held by the Group	Registered capital	30 June 2018		2018 interim			Principal business
			Total assets	Net assets	Revenue	Operating profit	Net profit/(net loss)	
Qinglian Company	76.37%	3,361,000	7,189,830	2,705,551	390,088	92,450	69,257	Construction, operation and management of Qinglian Expressway and related auxiliary facilities.
JEL Company (Magerk Company)	100%	USD 28,000	987,138	872,298	190,064	162,443	144,155	JEL Company: investment holding (holding interests in Magerk Company); Magerk Company: toll collection and management of Wuhuang Expressway.
Qinglong Company	50%	324,000	3,831,197	2,273,070	313,481	80,037	61,241	Development, construction, toll collection and management of Shuiguan Expressway.
Investment Company	100%	400,000	1,572,465	592,870	127,773	36,159	21,947	Investment in industries and project construction.
Guishen Company	70%	500,000	1,508,506	535,098	115,159	29,856	15,705	Investment, construction and management of road and urban and rural infrastructure.
Yichang Company	100%	345,000	3,106,952	1,386,119	204,808	75,623	59,476	Construction, operation and management of Yichang Expressway.
Coastal Company	100%	4,600,000	8,490,309	1,467,050	217,534	-21,318	-19,881	Investment in the construction and operation of the Shenzhen section of the Guangzhou-Shenzhen Coastal Expressway
United Land Company	49%	500,000	7,086,732	489,740	-	-371	-371	As the reporting entity and legal person for the Meilin Checkpoint Renewal Project, it is responsible for acquiring the land, demolition and relocation and other works in respect of the Meilin Checkpoint Renewal Project.
Environmental Company	100%	4,460,000	4,646,562	4,643,952	-	86,570	86,570	Investment and launching of projects of environmental protection industry as well as investment, construction, operation and management of municipal public works and environmental management engineering. The major asset is 20% equity interests held in Derun Environment.
Derun Environment	20%	1,000,000	40,959,646	15,067,015	3,800,808	890,638	462,230	The principal business of Derun Environment is investment holding. The major assets are 50.04% and 56.62% equity interests held in Water Group and Sanfeng Environment, respectively.

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

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

1. Profit Distribution Proposal for 2018 Interim

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2018 (2017 Interim: Nil), nor does it recommend any conversion of capital reserve into share capital.

2. Implementation of the Annual Profit Distribution Proposal for 2017

In accordance with the resolution passed in the 2017 annual general meeting, the Company distributed a final dividend of RMB0.30 per share (tax inclusive) in cash for 2017 to all shareholders, amounting to RMB654,231,097.80, which was calculated by reference to the total share capital of 2,180,770,326 shares of the Company as at the end of 2017. The profit distribution proposal was completed by 31 July 2018.

4.3 Outlook and Plans

(I) Industry Competition Landscape and Development Trend

In the first half of 2018, under the combined effect of supply-side structural reforms and external demand recovery, China's economy has generally operated smoothly, and the economic quality and efficiency have continued to improve. Looking forward to the second half of the year, the domestic economy is expected to show a steady development trend, but there is a continuous downward pressure on demand, and it faces many uncertain factors such as global trade friction and weak investment demand, etc. The toll road industry policy is expected to remain stable in the short term. In this context, the operating environment of the toll road industry is relatively stable, but management will encounter more new problems, and the demand for transformation and upgrading will increase.

Based on the overall consideration of the economic and transportation development plan, the Shenzhen Municipal Government has developed the overall plan for "Ten Horizontal and Thirteen Vertical" road network, which involves the Outer Ring Expressway project invested and managed by the Group. The Company will take this opportunity to actively communicate and negotiate with relevant government departments, manage the investment construction of Outer Ring Expressway, enhance the scale of the Company's core business of highway, and seek a win-win development between the Company and the society.

According to the agreement between the Company and Shenzhen Transport Commission, within 2018, Shenzhen Transport Commission has the right to recover the toll road rights of Nanguang Expressway, Yanpai Expressway and Yanba Expressway in advance. If Shenzhen Transport Commission chooses to recover the above three projects in advance, the Company will recognise one-off disposal income of assets, and reduce the mileage of the toll roads by approximately 76 kilometers and the operating income and profits of the three projects in the future.

Shenzhong Tunnel (Shenzhen to Zhongshan) is under construction and is scheduled to open to traffic in 2024, which can further promote the optimisation of road networks of the Guangdong-Hong Kong-Macao Greater Bay Area. Shenzhong Expressway and Coastal Expressway connect to Jihe Expressway, which will bring demand for expansion of Jihe Expressway. Therefore, the Group is actively carrying out the preliminary work before the expansion of Jihe Expressway and will negotiate with the government on the implementation plan and investment model of the expansion based on research results of the preliminary work. It is expected that the traffic flow of the Jihe Expressway will be further improved after completion of the reconstruction and expansion project. The Guilin-Sanjiang Expressway was completed and opened to traffic in October 2017, which caused a slight diversion effect on the traffic flow of the neighbouring Qinglian Expressway. According to publicly available information, Yuewang Expressway (Yueyang-Wangcheng), which is connected to Qinglian Expressway, is scheduled to open to traffic in October this year. After the completion of the project, it is expected to enhance the competitiveness of Qinglian Expressway and enhance its operational performance. The Group will closely monitor the changes of the surrounding road networks of the relevant projects as well as perform monitoring and analysis on traffic volume on an ongoing basis, improve the traffic environment and service quality, actively attract traffic volume and promote the operational performance of the projects.

Following the implementation of the 13th Five-Year Plan, it is expected that the market capacity and room for development of the environmental protection industry will expand rapidly. The Group has made strategic decisions, of which it will focus on the development of the macro environmental protection industry that takes hazardous waste treatment, sanitation integration and water environment remediation as the main content while consolidating and enhancing the main business of toll highway. In order to achieve the "double growth" of the scale and efficiency of the environmental protection industry, the Group will work with industry leaders and strengthen deep cooperation with its partners to complement each other in terms of business. On this basis, the Group will further explore opportunities in the environmental protection business that meets the Group's strategy, through mergers and acquisitions, industry funds, etc.

(II) Operating Plans

In the second half of 2018, the working focuses for the Group are as follows:

- ☞ **Toll Highway Business:** The Group will further enhance the strategic cooperation with Baidu and use information technology such as AI and big data to promote intelligent transportation. It will also strengthen the cooperation with domestic first-class professional organisations, construction companies and academic institutions so as to establish its key projects, such as Outer Ring Expressway, as exemplar and paragon of Shenzhen Expressway in the area of highway construction, management and maintenance. Moreover, the Group will proactively explore opportunities for mergers and restructuring, invest in potential toll road and bridge projects and continue to upgrade its core business of toll highway.
- ☞ **Environmental Protection Business:** The Group will step up its efforts in innovating the mechanism and system for its core business of environmental protection, actively seek merger and acquisition opportunities in key areas such as solid waste (hazardous waste, waste-to-energy, environmental sanitation integration, etc.) and water pollution control; strengthen the strategic cooperation with leading enterprises and institutions such as Derun Environment, Water Planning Company, Suez Group and Southern University of Science and Technology in environmental protection field; actively follow up the environmental protection projects that have made initial progress, strengthen industry research work, deeply seek investment opportunities in sub-sectors, strengthen the construction of environmental protection talents, enhance market competitiveness, and fully promote the implementation of environmental protection entities.
- ☞ **Financing and Financial Management:** Pay close attention to the real-time changes in financial policies and financing environment, timely adjust financial strategies, manage financial risks monitoring, ensure financial liquidity security and take into account the benefits of funds; manage the issuance of A Shares Convertible Corporate Bonds, and lock the exchange rate of USD300 million bonds; strengthen the coordination and planning management of the Group's funds, arrange reasonable financing plans, broaden and innovate domestic and overseas financing channels, guarantee the Company's capital needs, and provide strong support for the Group's development strategy.
- ☞ **Business development:** Taking the favorable opportunity brought about by the improvement of infrastructure construction in the Shenzhen-Guangdong-Shanwei Special Cooperation Zone and Longli County of Guizhou, consolidate Shenzhen Expressway's strategic positioning as "city and transportation infrastructure construction and operation service provider", gradually expand the Company's business development area, and promote the mature areas to develop in depth; actively promote the development of Meilin Checkpoint Renewal Project, manage the introduction of strategic investors, and further promote the preliminary work of Jihe Expressway reconstruction and expansion project; continue to carry out research, screening and demonstration of toll road projects and new industrial projects that are in line with the Group's development strategy, and continue to focus on and control risks.

V. Matters Related to Financial Statements

5.1 Financial Statements

The consolidated 2018 interim financial statements and notes of the Company are set out in the appendix to this results preliminary announcement.

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

During the Reporting Period, the Company completed the acquisition of 100% equity interests in Coastal Company, which has been included into the scope of the Group's consolidated financial statements since 8 February 2018. For details, please refer to the note VI to the Financial Statement.

5.3 Results Review

The audit committee of the Company has reviewed and endorsed the 2018 interim financial statements and the interim report of the Company.

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. For details, please refer to the content in Interim Report 2018 of the Company.

VII. Changes in Accounting Policies

1. Impact of Implementing New Accounting Standards

In 2017, the Ministry of Finance of the People's Republic of China revised the Accounting Standards for Business Enterprises No. 14 - Revenue ("New Revenue Standard"), "Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments", and Accounting Standards for Business Enterprises No. 23 - Transfer of Financial Assets, Accounting Standards for Business Enterprises No. 24 - Hedging, and Accounting Standards for Business Enterprises No. 37 - Presentation of Financial Instruments (the latter four standards are referred to as "New Accounting Standards for Financial Instruments"). In accordance with the requirements of these standards, as the Company is an A+H listed company, the Group began to adopt the five newly revised accounting standards and change the relevant accounting policies from 1 January 2018. The above changes in accounting policies have been reviewed and approved at the 4th meeting of the 8th session Board of Directors of the Company. For details, please refer to the announcement of the Board's resolution dated 23 March 2018.

During the Reporting Period, the Group adopted the New Revenue Standard. Regarding the material financing component in pre-sale commercial housing contracts that have not been completed at the beginning of the year, the Group adjusted the transaction price for the time value of money. What's more, considering the impact that relevant interest cost can be capitalised before the completion of commercial housing construction, the Group increased the “inventory” under the current assets at the beginning of the year by RMB525,000, increased the “deferred income tax assets” under the non-current assets at the beginning of the year by RMB1,661,000, increased the "advances from customers" under current liabilities at the beginning of the year by RMB7,169,000, reduced the "undistributed profit" under the shareholders' equity at the beginning of the year by RMB3,488,000, and reduced minority equity by RMB1,495,000 according to the relevant requirements of the convergence rules in the New Revenue Standard.

During the Reporting Period, the Group adopted the "New Accounting Standards for Financial Instruments", so the equity investment previously classified as “available-for-sale financial assets” was reclassified as “financial assets at fair value through profit or loss”, and the fair value of relevant equity investment on the implementation date of the Standards was assessed. In accordance with the relevant requirements of the convergence rules in the "New Accounting Standards for Financial Instruments", the Group increased the “financial assets at fair value through profit or loss” under the non-current assets at the beginning of the year by RMB162,510,000, reduced the “available-for-sale financial assets” under

the non-current assets at the beginning of the year by RMB106,557,000, increased” the deferred income tax liabilities” under the non-current liabilities at the beginning of the year by RMB13,988,000 and transferred the difference between them to increase the “undistributed profit” under the equity interest at the beginning of the year by RMB41,965,000.

2. Impact of Revised Report Format

According to the requirements of the “Notice on Revising, Printing and Issuing the Format of 2018 Annual General Financial Statement” (Caikuai [2018] No. 15) issued by the Ministry of Finance on 15 June 2018, the Company has implemented the above New Revenue Standard and New Accounting Standards for Financial Instruments, the financial statements of the Company should be prepared according to the format provided in Appendix 2 to the Notice. Implementation of the new report format has no effect on the reclassification of assets or liabilities, or net assets or profits attributable to the shareholders of the Company, as involved in the Group's financial statements.

For details of the above changes in accounting policies, please refer to note III \29.

VII. Definitions

Company	Shenzhen Expressway Company Limited.
Group	The Company and its consolidated subsidiaries.
Reporting Period, 2018 Interim ,the Period	The six months ended 30 June 2018.
2017 Interim	The six months ended 30 June 2017.
Reporting Date	The date on which Interim Report 2018 of the Company was approved by the Board, i.e. 17 August 2018.
YOY	Year-on-year change as compared to 2017 Interim or the same period of 2017.
SSE	The Shanghai Stock Exchange.
HKEx	The Stock Exchange of Hong Kong Limited.
Listing Rules	The Rules Governing the Listing of Securities on HKEx.
CASBE	The Accounting Standards for Business Enterprises (2006) of the PRC and the specific accounting standards as well as relevant provisions issued later.
Shenzhen Transport Commission	深圳市交通運輸委員 (The Transport Commission of Shenzhen Municipality).
Yichang Company	湖南益常高速公路開發有限公司 (Hunan Yichang Expressway Development Company Limited).
Yichang Project	The expressway from Yiyang to Changde in Hunan(Yichang Expressway) and Changde connection line.
SIHCL	深圳市投資控股有限公司 (Shenzhen Investment Holdings Company Limited).
Shenzhen International	Shenzhen International Holdings Limited
XTC Company	新通產實業開發(深圳)有限公司 (Xin Tong Chan Development (Shenzhen) Company Limited), formerly known as 深圳市高速公路開發公司 (Shenzhen Freeway Development Company Limited).

SGH Company	深圳市深廣惠公路開發有限公司(Shenzhen Shen Guang Hui Highway Development Company Limited).
Three Projects	Nanguang Expressway, Yanpai Expressway and Yanba Expressway. On 30 November 2015, the Company entered into the Three Expressways agreement with the Shenzhen Transport Commission in relation to the toll adjustment of the Three Project.
SZCDGC	深圳市特區建設發展集團有限公司(Shenzhen SEZ Construction Development Group Co., Ltd.).
Adjustment of Freight Traffic Organization Project	The entrusted construction management project undertaken by the Company related to the toll stations and ancillary facilities of the highways due to the implementation of the adjustment of freight traffic organization in Shenzhen city
SZ International Logistics	Shenzhen International Logistics Development Co., Ltd.
Meiguan Company	Shenzhen Meiguan Expressway Company Limited.
Jihe East Company	Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited.
Qinglian Company	Guangdong Qinglian Highway Development Company Limited.
Magerk Company	Hubei Magerk Expressway Management Private Limited.
Outer Ring Company	Shenzhen Outer Ring Expressway Investment Company Limited.
Mei Wah Company	Mei Wah Industrial (Hong Kong) Limited.
JEL Company	Jade Emperor Limited.
Coastal Company	Shenzhen Guangshen Coastal Expressway Investment Company Limited.
Industrial Fund Management Company	Shenzhen Expressway (Guangzhou) Industrial Investment Fund Management Co., Ltd
Vanke	China Vanke Co., Ltd.
Shenshan Company	Shenzhen Expressway Infrastructure and Environmental Protection Development Co.Ltd
Qinglong Company	Shenzhen Qinglong Expressway Company Limited.
Investment Company	Shenzhen Expressway Investment Company Limited.
Guilong Industry	貴州貴龍實業（集團）有限公司 (Guizhou Guilong Industry (Group) Company Limited.
Guishen Company	Guizhou Guishen Investment Development Company Limited.
Guizhou Property	Guizhou Shenzhen Expressway Property Company Limited.
Guizhou Yehengda	Guizhou Yehengda Property Company Limited.
Shenchang Company	Hunan Changsha Shenchang Expressway Company Limited
Advertising Company	Shenzhen Expressway Advertising Company Limited.
United Land Company	Shenzhen International United Land Co., Ltd.
Environment Company	Shenzhen Expressway Environment Company Limited.
Consulting Company	Shenzhen Expressway Engineering Consulting Company Limited.
Guangdong UETC	Guangdong United Electronic Toll Collection Inc.
Operation Development Company	Shenzhen Expressway Operation Development Company Limited.
Construction Development Company	Shenzhen Expressway Construction Development Company Limited.

Bank of Guizhou	Guizhou Bank Corporation Limited.
Guilong Land	The peripheral land of Guilong Project which were successfully bid by the Group. The area of the land was approximately 2,655mu (approximately 1,770,000 square meters) as at the date of this report.
Guilong Development Project	The secondary independent property development project conducted by the Group on Guilong Project, which has been approved by the Board of Directors. The area of the approved land is approximately 1,045mu.
Houmen Comprehensive Resettlement Building Project	The management of the construction project of Houmen Comprehensive Resettlement Building of Shenshan Special Cooperation Zone undertaken by the Group.
Duohua Bridge Project	A road construction project from Jichang Village to Duohua Village in Longli County undertaken by Guishen Company by BT model. The major word of the project is Duohua Bridge.
CCCC Second Highway	CCCC Second Highway Engineering Co., Ltd.
Water Planning Company	Shenzhen Water Planning & Design Institute Company Limited (深圳市水務規劃設計院有限公司).
Derun Environment	Chongqing Derun Environment Company Limited.
Water Asset	Chongqing Water Asset Management Company Limited(重慶市水務資產經營有限公司).
Chongqing Water	重慶水務集團股份有限公司 (Chongqing Water Group Company Limited), a company listed on the Shanghai Stock Exchange, stock code: 601158.
Sanfeng Environment	Chongqing San Feng Environmental Group Co., Ltd(重庆三峰环境集团股份有限公司)
Suez Group	Suez Group, France
SITA Asia	SITA Asia Pacific Limited
Meilin Checkpoint Renewal Project	Shenzhen Longhua New Area Mingzhi Office Meilin Checkpoint Urban Renewal Project, the entity of which is United Land Company and the land of which is approximately 96,000 square meters.
Green Passage Toll Free Policy	The policy to waive the toll fees for the vehicles used for legal transportation of fresh agricultural products. Since December 2010, such policy must be implemented in all expressway projects in PRC.
Standardisation Scheme	The scheme that toll fees of the expressways in Guangdong Province, starting from 1 June 2012, be standardised based on the unified toll rate, toll coefficient, calculating method for ramps and rounding principles, and include subsequent adjustment made for the increase of the toll fees as a result of the implementation of aforesaid scheme.
Toll Free Scheme on Holidays	The policy that the toll fees of toll highways for passenger cars with seven seats or less be waived during the periods of four national holidays, i.e. Spring Festival, Tomb Sweeping Day, Labour Day and National Day, and their consecutive days off. Such policy has been implemented in PRC since the second half of 2012.
PRC	The People's Republic of China excluding, for the purpose of this announcement, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan.
PPP(mode)	Public-Private-Partnership mode, refer to a partnership on the basis of concession agreement for the construction of urban infrastructure projects or the provision of public goods and services between the government and private organizations. PPP mode ultimately makes both parties of the cooperation get more favourable results than those who act alone expected, by signing the contract to define the rights and obligations of both parties, to ensure the smooth completion of cooperation.

BOT (model)

Build-Operate-Transfer model, refer to the infrastructure model of investment, construction and operation. On premised on an agreement between the government and the private sector, the government issues a franchise to the private sector to allow it to raise funds for a certain period of time to build an infrastructure and manage and operate the facility and its corresponding products and services.

EPC (model)

Engineering Procurement Construction model means the Company is entrusted by the owner to carry out the whole process or several stages of contracting for the design, procurement, construction, and trial operation of the project in accordance with the contract. Usually, the company is responsible for the quality, safety, cost and schedule of the contracted project under the conditions of the total price contract.

***Coastal Freight
Compensation Scheme***

The scheme that all types of freight cars passing through the Coastal Project will be charged 50% of the normal toll fees standard from 1 March 2018 to 31 December 2020, and Shenzhen Transport Commission compensates to Coastal Company for RMB302 million.

Coastal Project

He section from Nanshan, Shenzhen to Dongbao River (the boundary between Dongguan and Shenzhen) (Coastal Expressway (Shenzhen Section)) of the costal expressway from Guangzhou to Shenzhen (Coastal Expressway). Among which, the project of main line of Coastal Expressway (Shenzhen Section) and facilities referred to as Coastal Phase I, and the project of the ramp bridge of airport interchange of Coastal Expressway (Shenzhen Section) and facilities referred to as Coastal Phase II.

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

By Order of the Board

Hu Wei

Chairman

Shenzhen, PRC, 17 August 2018

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. LIAO Xiang Wen (Executive Director), Ms. GONG Tao Tao (Executive Director), Ms. CHEN Yan (Non-executive Director), Mr. FAN Zhi Yong (Non-executive Director), Mr. CHEN Yuan Jun (Non-executive Director), Mr. CHEN Kai (Non-executive Director), Mr. CAI Shu Guang (Independent non-executive Director), Mr. WAN Siu Wah Wilson (Independent non-executive Director), Ms. CHEN Xiao Lu (Independent non-executive Director) and Mr. BAI Hua (Independent non-executive Director)

This announcement is prepared in Chinese and English. In case of any inconsistency between the Chinese version and the English version, the Chinese version shall prevail.

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 "Interim Report 2018" of the Company. The "Interim Report 2018" of the Company containing all the information to accompany interim 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 six months ended 30 June 2018

Shenzhen Expressway Company Limited
Review report and interim financial information
For the six months ended 30 June 2018

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

Shenzhen Expressway Company Limited

Consolidated Statement of Financial Position As at 30 June 2018

(All amounts in RMB unless otherwise stated)

Item	Note	30 June 2018 (Unaudited)	31 December 2017 (Audited) (Restated)
Current assets			
Cash at banks and on hand	V.1	4,549,744,143.21	4,259,695,462.26
Accounts receivable	V.2	152,191,926.36	223,338,953.78
Prepayments	V.3	41,435,953.37	311,971,758.93
Other receivables	V.4	2,469,813,635.73	173,692,814.82
Inventories	V.5	896,465,882.53	599,518,473.40
Contract assets	V.6	92,818,601.08	-
Current portion of non-current assets	V.7	35,003,154.42	79,908,301.90
Other current assets	V.8	57,415,160.16	39,366,991.50
Total current assets		8,294,888,456.86	5,687,492,756.59
Non-current assets			
Long-term prepayments	V.9	368,118,321.21	326,996,397.88
Long-term receivables	V.10	4,500,000.00	16,519,232.87
Available-for-sale financial assets	V.11	-	106,557,169.78
Other non-current financial assets	V.12	162,510,000.00	-
Long-term equity investments	V.13	6,963,870,326.11	9,064,252,280.91
Investment properties	V.14	12,662,854.80	12,950,725.00
Fixed assets	V.15	1,093,882,216.51	1,157,135,268.77
Construction in progress	V.16	30,042,191.06	35,823,195.78
Intangible assets	V.17	27,025,131,525.06	27,463,982,268.91
Long-term prepaid expenses		4,533,586.05	5,256,417.00
Deferred tax assets	V.18	97,485,999.17	138,018,930.41
Other non-current assets	V.19	342,599,500.00	-
Total non-current assets		36,105,336,519.97	38,327,491,887.31
Total assets		44,400,224,976.83	44,014,984,643.90
Current liabilities			
Short-term borrowings	V.21	1,528,396,642.20	2,518,256,000.00
Financial liabilities measured at fair value through profit or loss	V.22	-	71,371,857.30
Transactional financial liabilities	V.23	61,206,132.40	-
Accounts payable	V.24	550,352,011.60	677,252,834.93
Advances from customers	V.25	-	465,783,878.20
Contract liabilities	V.26	621,616,569.47	-
Employee benefits payable	V.27	47,115,446.94	168,822,032.25
Taxes payable	V.28	177,601,274.42	245,819,939.04
Other payables	V.29	3,379,267,885.63	3,074,710,559.87
Current portion of non-current liabilities	V.30	1,752,544,594.74	1,592,099,621.18
Deferred revenue	V.34	2,877,554.76	2,688,148.48
Total current liabilities		8,120,978,112.16	8,816,804,871.25
Non-current liabilities			
Long-term borrowings	V.31	10,032,064,309.23	9,497,344,336.98
Bonds payable	V.32	2,760,661,161.97	2,732,092,797.02
Provision	V.33	134,731,913.59	136,780,725.09
Deferred revenue	V.34	135,055,852.78	142,969,543.54
Deferred tax liabilities	V.18	1,513,627,004.25	1,537,614,506.77
Other non-current liabilities	V.35	5,540,031,030.04	5,361,879,999.98
Total non-current liabilities		20,116,171,271.86	19,408,681,909.38
Total liabilities		28,237,149,384.02	28,225,486,780.63
Owners' equity			
Share capital	V.36	2,180,770,326.00	2,180,770,326.00
Capital surplus	V.37	5,289,461,107.99	5,282,994,921.43
Other comprehensive income	V.38	887,791,710.56	887,624,170.50
Surplus reserve	V.39	2,138,614,923.89	2,138,614,923.89
Undistributed profits	V.40	3,495,905,260.10	3,143,006,552.05
Total equity attributable to owners of the Company		13,992,543,328.54	13,633,010,893.87
Minority interests	VII.1(2)	2,170,532,264.27	2,156,486,969.40
Total owners' equity		16,163,075,592.81	15,789,497,863.27
Total liabilities and owners' equity		44,400,224,976.83	44,014,984,643.90

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

Legal representative: Hu Wei

Chief financial officer: Gong Taotao

Head of accounting department: Zhao Guiping

Shenzhen Expressway Company Limited

Company statement of Financial Position

As at 30 June 2018

(All amounts in RMB unless otherwise stated)

Item	Note	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Current assets			
Cash at banks and on hand		792,968,173.12	676,471,526.41
Accounts receivable		18,292,612.90	111,130,176.03
Prepayments		14,982,934.80	9,530,649.12
Other receivables		2,376,689,698.04	369,260,529.15
Inventories		1,878,501.32	1,552,959.68
Contract assets		77,262,836.60	-
Current portion of non-current assets		12,019,232.87	-
Total current assets		3,294,093,989.65	1,167,945,840.39
Non-current assets			
Long-term prepayments		3,329,760.00	3,329,760.00
Long-term receivables		2,654,884,687.02	2,890,825,463.77
Long-term equity investments	XIII.1	13,750,234,664.68	14,468,685,388.32
Available-for-sale financial assets		-	106,557,169.78
Other non-current financial assets		162,510,000.00	-
Investment properties		12,662,854.80	12,950,725.00
Fixed assets		370,327,492.87	388,079,131.68
Construction in progress		2,610,099.32	7,434,768.47
Intangible assets		3,761,199,052.26	3,883,256,173.82
Long-term prepaid expenses		1,184,979.20	1,396,847.18
Deferred tax assets		43,839,336.01	61,832,801.24
Other non-current assets		-	1,472,000,000.00
Total non-current assets		20,762,782,926.16	23,296,348,229.26
Total assets		24,056,876,915.81	24,464,294,069.65
Current liabilities			
Short-term borrowings		1,312,000,000.00	1,570,000,000.00
Financial liabilities measured at fair value through profit or loss		-	71,371,857.30
Transactional financial liabilities		61,206,132.40	-
Accounts payable		4,699,303.60	20,316,068.70
Advances from customers		-	19,378,599.38
Contract liabilities		11,403,999.89	-
Employee benefits payable		20,662,073.75	87,189,369.23
Taxes payable		33,681,712.56	44,141,456.88
Other payables		1,572,174,476.74	1,228,469,808.37
Current portion of non-current liabilities		1,209,672,972.40	1,400,174,552.51
Total current liabilities		4,225,500,671.34	4,441,041,712.37
Non-current liabilities			
Long-term borrowings		815,227,272.73	839,954,545.45
Bonds payable		2,760,661,161.97	2,732,092,797.02
Provisions		134,731,913.59	136,780,725.09
Other non-current liabilities		5,361,880,000.00	5,361,879,999.98
Total non-current liabilities		9,072,500,348.29	9,070,708,067.54
Total liabilities		13,298,001,019.63	13,511,749,779.91
Owners' equity			
Share capital	V.36	2,180,770,326.00	2,180,770,326.00
Capital surplus		2,353,128,724.17	2,329,774,011.94
Other comprehensive income	V.13(3)	-6,072,991.69	-6,429,331.48
Surplus reserve	V.39	2,138,614,923.89	2,138,614,923.89
Undistributed profits		4,092,434,913.81	4,309,814,359.39
Total owners' equity		10,758,875,896.18	10,952,544,289.74
Total liabilities and owners' equity		24,056,876,915.81	24,464,294,069.65

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

Shenzhen Expressway Company Limited

Consolidated statement of profit or loss and other comprehensive income
For the six months ended 30 June 2018
 (All amounts in RMB unless otherwise stated)

Item	Note	For the six months Ended 30 June 2018 (Unaudited)	For the six months Ended 30 June 2017 (Unaudited) (Restated)
1.Total revenue		2,677,522,763.36	2,290,290,639.01
Including: Revenue from services	V.41	2,677,522,763.36	2,290,290,639.01
2.Total costs		-1,856,896,406.69	-1,538,736,976.43
Including: Cost of services	V.41	-1,282,860,492.07	-1,123,346,166.62
Taxes and surcharges	V.42	-24,659,357.11	-17,416,930.20
Selling expenses		-6,617,908.13	-7,791,668.78
General and administrative expenses	V.43	-42,195,751.75	-40,516,130.68
Financial expenses	V.44	-500,548,781.79	-349,666,080.15
Including: Interest expense		-480,084,726.79	-421,484,311.30
Interest revenue		30,274,766.47	28,385,751.87
Impairment loss on credit		-14,115.84	-
Add: Gain or loss from changes in fair value	V.45	10,165,724.90	-61,180,352.34
Add: Investment income	V.46	288,612,136.13	246,590,566.55
Including: Share of profits of associates and joint ventures	V.13	285,283,369.01	211,504,377.66
Gains or loss on disposal of assets	V.47	181,865,044.34	24,691,995.01
Other income	V.48	57,763.72	22,478.68
3.Operating profits		1,301,327,025.76	961,678,350.48
Add: Non-operating income	V.49	7,721,493.21	1,920,662.66
Less: Non-operating expenses	V.50	-869,650.68	-1,425,695.05
4.Total profit		1,308,178,868.29	962,173,318.09
Less: Income tax expenses	V.51	-267,747,826.08	-202,010,942.54
5.Net profit		1,040,431,042.21	760,162,375.55
(1) Classified by business continuity			
Net profit from continuing operations		1,040,431,042.21	760,162,375.55
(2) Classified by ownership			
Net profit attributable to owners of the Company		968,653,293.65	704,883,594.51
Minority interests	VII.1(2)	71,777,748.56	55,278,781.04
6.Other comprehensive income after tax		167,540.06	-3,228,863.68
Items that may be reclassified subsequently to profit or loss		167,540.06	-3,228,863.68
Including: Foreign exchange gain/loss		421,430.87	-822,969.90
Share of other comprehensive income from investees accounted for the equity method to be reclassified to profit or loss in the subsequent year	V.38	-253,890.81	-2,405,893.78
7.Total comprehensive income		1,040,598,582.27	756,933,511.87
Total comprehensive income attributable to owners of the company		968,820,833.71	701,654,730.83
Total comprehensive income attributable to minority interests		71,777,748.56	55,278,781.04
8.Earnings per share		-	
Basic earnings per share (RMB/share)	V.56(1)	0.444	0.323
Diluted earnings per share (RMB/share)	V.56(1)	0.444	0.323

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

Shenzhen Expressway Company Limited

Company statement of profit or loss and other comprehensive income

For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

Item	Note	For the six months ended 30 June 2018 (Unaudited)	For the six months ended 30 June 2017 (Unaudited)
1. Total revenue	XIII.2	689,224,055.43	675,723,843.76
Less: Cost of services	XIII.2	-238,906,368.80	-244,292,678.81
Business tax and surcharges		-4,258,160.90	-5,262,663.72
General and administrative expenses		-24,714,697.91	-28,152,509.23
Financial expenses		-197,955,826.61	-104,601,958.43
Add: Gain or loss from changes in fair value (loss are listed with“-”)		10,165,724.90	-61,180,352.34
Add: Investment income (loss are listed with“-”)		217,431,283.42	474,828,120.15
Including: Share of profits of associates and joint ventures		12,803,438.05	193,468,547.32
Gains or loss on disposal of assets (loss are listed with“-”)		-9,237.38	-
2. Operating profit		450,976,772.15	707,061,801.38
Add: Non-operating income		1,148,221.72	456,286.24
Less: Non-operating expenses		-12,253.12	-1,020,990.31
3. Total profit (total loss are listed with“-”)		452,112,740.75	706,497,097.31
Less: Income tax expenses		-57,225,711.19	-58,308,112.33
4. Net profit (net loss are listed with“-”)		394,887,029.56	648,188,984.98
Net profit from continuing operations (net loss are listed with“-”)		394,887,029.56	648,188,984.98
5. Other comprehensive income		356,339.79	-4,233,294.18
Items that may be reclassified subsequently to profit or loss		356,339.79	-4,233,294.18
Share of other comprehensive income from investees accounted for the equity method to be reclassified to profit or loss in the subsequent year	V.13(3)	356,339.79	-4,233,294.18
6. Total comprehensive income		395,243,369.35	643,955,690.80

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

Shenzhen Expressway Company Limited

Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

Item	Note	For the six months ended 30 June 2018 (Unaudited)	For the six months ended 30 June 2017 (Unaudited) (Restated)
1.Cash flows from operating activities:			
Cash received from rendering services and selling goods		2,843,254,966.38	2,287,807,618.67
Refund of taxes		3,313,281.58	-
Cash received relating to other operating activities	V.52(1)	18,671,852.17	34,698,284.61
Sub-total of cash inflows		2,865,240,100.13	2,322,505,903.28
Cash paid for goods and services		247,721,377.20	217,054,059.98
Cash paid to and on behalf of employees		333,725,831.24	282,628,035.65
Payments of taxes and surcharges		465,084,484.73	343,549,747.28
Cash paid relating to other operating activities	V.52(2)	223,562,421.10	163,915,706.69
Sub-total of cash outflows		1,270,094,114.27	1,007,147,549.60
Net cash flows from operating activities		1,595,145,985.86	1,315,358,353.68
2.Cash flows from investing activities			
Cash received from recovery of investments		-	11,058,312.73
Cash received from returns on investments		67,672,751.98	85,845,019.10
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		17,267,726.08	27,001,550.00
Cash received relating to other investing activities	V.52(3)	328,777,400.65	1,994,285,028.35
Sub-total of cash inflows		413,717,878.71	2,118,189,910.18
Cash paid to acquire fixed assets, intangible assets and other long-term assets		389,711,153.62	254,011,039.05
Payments for investing activities		57,500,000.00	-
Net cash paid to acquire subsidiaries and other business units	V.52(4)	-	5,522,885,548.12
Cash paid relating to other investing activities	V.52(5)	300,230,652.81	1,406,000,000.00
Sub-total of cash outflows		747,441,806.43	7,182,896,587.17
Net cash flows from investing activities		-333,723,927.72	-5,064,706,676.99
3.Cash flows from financing activities			
Cash received from borrowings		2,234,577,190.60	3,398,182,705.99
Sub-total of cash inflows		2,234,577,190.60	3,398,182,705.99
Cash repayments of borrowings		2,393,539,724.93	1,101,543,242.51
Cash payments for interest expenses and distribution of dividends or profits		787,179,146.57	643,360,084.30
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		72,186,499.92	44,600,742.17
Cash payments relating to other financing activities	V.52(6)	30,607,835.81	341,455,323.15
Sub-total of cash outflows		3,211,326,707.31	2,086,358,649.96
Net cash flows from financing activities		-976,749,516.71	1,311,824,056.03
4.Effect of foreign exchange rate changes on cash		-22,325,003.91	-561,292.07
5.Net increase /(decrease) in cash	V.53(1)	262,347,537.52	-2,438,085,559.35
Add: Cash at beginning of period		1,884,570,222.49	4,464,187,614.55
6.Cash at end of period	V.53(1)	2,146,917,760.01	2,026,102,055.20

The attached notes are an integral part of these financial statement

Shenzhen Expressway Company Limited

Company statement of cash flows For the six months ended 30 June 2018 (All amounts in RMB unless otherwise stated)

Item	Note	For the six months ended 30 June 2018 (Unaudited)	For the six months ended 30 June 2017 (Unaudited)
1.Cash flows from operating activities			
Cash received from rendering services and selling goods		387,903,713.95	442,294,017.70
Cash received relating to other operating activities		540,795,117.63	1,674,110,249.21
Sub-total of cash inflows		928,698,831.58	2,116,404,266.91
Cash paid for goods and services		73,788,729.44	56,657,034.50
Cash paid to and on behalf of employees		115,573,228.06	138,888,448.88
Payments of taxes and surcharges		93,818,455.18	60,412,489.60
Cash paid relating to other operating activities		90,009,018.24	774,233,522.89
Sub-total of cash outflows		373,189,430.92	1,030,191,495.87
Net cash flows from operating activities		555,509,400.66	1,086,212,771.04
2.Cash flows from investing activities			
Cash received from recovery of investments		23,161,930.91	23,422,911.87
Cash received from returns on investments		122,093,184.79	174,659,563.11
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		3,000.00	-
Cash received relating to other investing activities		384,141,283.05	2,937,352,366.33
Sub-total of cash inflows		529,399,398.75	3,135,434,841.31
Cash paid to acquire fixed assets, intangible assets and other long-term assets		14,592,794.07	5,003,616.20
Payments for investing activities		57,500,000.00	-
Net cash paid to acquire subsidiaries and other business units		14,600,000.00	5,259,737,800.00
Cash paid relating to other investing activities		15,000,000.00	1,356,000,000.00
Sub-total of cash outflows		101,692,794.07	6,620,741,416.20
Net cash flows from investing activities		427,706,604.68	-3,485,306,574.89
3.Cash flows from financing activities			
Cash received from borrowings		870,000,000.00	1,970,000,000.00
Sub-total of cash inflows		870,000,000.00	1,970,000,000.00
Cash repayments of borrowings		1,201,000,000.00	1,000,000,000.00
Cash payments for interest expenses and distribution of dividends or profits		511,248,647.07	408,063,474.48
Cash payments relating to other financing activities		8,274,013.69	7,878,123.61
Sub-total of cash outflows		1,720,522,660.76	1,415,941,598.09
Net cash flows from financing activities		-850,522,660.76	554,058,401.91
4.Effect of foreign exchange rate changes on cash		-4,255.51	-72,555.94
5.Net increase /(decrease) in cash		132,689,089.07	-1,845,107,957.88
Add: Cash at beginning of period		621,727,474.29	2,881,566,453.69
6.Cash at end of period		754,416,563.36	1,036,458,495.81

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

Shenzhen Expressway Company Limited

Consolidated statement of changes in equity
For the period ended 30 June 2018

(All amounts in RMB unless otherwise stated)

Item	For the six months ended 30 June 2018 (Unaudited)							
	Attributable to owners of the Company						Minority interests	Total owners' equity
	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profit	Sub total		
1. Ending balance on 31 December 2017	2,180,770,326.00	2,154,994,921.43	887,624,170.50	2,138,614,923.89	6,256,075,328.76	13,618,079,670.58	2,156,486,969.40	15,774,566,639.98
Add: Business combination under common control	-	3,128,000,000.00	-	-	-3,113,068,776.71	14,931,223.29	-	14,931,223.29
Sub-total	2,180,770,326.00	5,282,994,921.43	887,624,170.50	2,138,614,923.89	3,143,006,552.05	13,633,010,893.87	2,156,486,969.40	15,789,497,863.27
Add: Changes of accounting policy	-	-	-	-	38,476,512.20	38,476,512.20	-1,494,904.48	36,981,607.72
2.Beginning balance on 1 January 2018	2,180,770,326.00	5,282,994,921.43	887,624,170.50	2,138,614,923.89	3,181,483,064.25	13,671,487,406.07	2,154,992,064.92	15,826,479,470.99
3.Increases/decreases in the current period ("-" for decreases)	-	6,466,186.56	167,540.06	-	314,422,195.85	321,055,922.47	15,540,199.35	336,596,121.82
(1) Total comprehensive income	-	-	167,540.06	-	968,653,293.65	968,820,833.71	71,777,748.56	1,040,598,582.27
Net profit	-	-	-	-	968,653,293.65	968,653,293.65	71,777,748.56	1,040,431,042.21
Other comprehensive income	-	-	167,540.06	-	-	167,540.06	-	167,540.06
(2) Withdrawal or transfer of investment by shareholders	-	-	-	-	-	-	-22,253,619.89	-22,253,619.89
Withdrawal of investment by shareholders	-	-	-	-	-	-	-22,253,619.89	-22,253,619.89
(3) Profit distribution (Note V.40)	-	-	-	-	-654,231,097.80	-654,231,097.80	-33,983,929.32	-688,215,027.12
Profit distribution to equity owners	-	-	-	-	-654,231,097.80	-654,231,097.80	-33,983,929.32	-688,215,027.12
(4) Others	-	6,466,186.56	-	-	-	6,466,186.56	-	6,466,186.56
4. Ending balance on 30 June 2018	2,180,770,326.00	5,289,461,107.99	887,791,710.56	2,138,614,923.89	3,495,905,260.10	13,992,543,328.54	2,170,532,264.27	16,163,075,592.81

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

Shenzhen Expressway Company Limited

Consolidated statement of changes in equity
For the period ended 30 June 2018

(All amounts in RMB unless otherwise stated)

Item	For the six months ended 30 June 2017 (Unaudited)							
	Attributable to owners of the Company						Minority interests	Total owners' equity
	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profit	Sub total		
1. Ending balance on 31 December 2016	2,180,770,326.00	2,151,147,518.61	894,501,191.30	2,031,208,432.81	5,416,848,490.55	12,674,475,959.27	2,036,879,140.31	14,711,355,099.58
Add: Business Combination under Common Control	-	4,600,000,000.00	-	-	-3,070,654,465.11	1,529,345,534.89	-	1,529,345,534.89
2. Beginning balance on 1 January 2017	2,180,770,326.00	6,751,147,518.61	894,501,191.30	2,031,208,432.81	2,346,194,025.44	14,203,821,494.16	2,036,879,140.31	16,240,700,634.47
3. Increases/decreases in the current period ("-" for decreases)	-	-293,171.09	-3,228,863.68	-	225,114,122.79	221,592,088.02	181,215,533.38	402,807,621.40
(1) Total comprehensive income	-	-	-3,228,863.68	-	704,883,594.51	701,654,730.83	55,278,781.04	756,933,511.87
Net profit	-	-	-	-	704,883,594.51	704,883,594.51	55,278,781.04	760,162,375.55
Other comprehensive income	-	-	-3,228,863.68	-	-	-3,228,863.68	-	-3,228,863.68
(2) Withdrawal or transfer of investment by shareholders	-	-	-	-	-	-	-11,879,712.91	-11,879,712.91
Withdrawal investment by shareholders	-	-	-	-	-	-	-11,879,712.91	-11,879,712.91
(3) Profit distribution (Note V.40)	-	-	-	-	-479,769,471.72	-479,769,471.72	-44,600,742.17	-524,370,213.89
Profit distribution to equity owners	-	-	-	-	-479,769,471.72	-479,769,471.72	-44,600,742.17	-524,370,213.89
(4) Business combination not under common control	-	-	-	-	-	-	182,417,207.42	182,417,207.42
(5) Others	-	-293,171.09	-	-	-	-293,171.09	-	-293,171.09
4. Ending balance on 30 June 2017	2,180,770,326.00	6,750,854,347.52	891,272,327.62	2,031,208,432.81	2,571,308,148.23	14,425,413,582.18	2,218,094,673.69	16,643,508,255.87

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

Shenzhen Expressway Company Limited

Consolidated statement of changes in equity
For the period ended 30 June 2018

(All amounts in RMB unless otherwise stated)

Item	For the six months ended 30 June 2018 (Unaudited)					
	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profit	Total owner's equity
1. Ending balance on 31 December 2017	2,180,770,326.00	2,329,774,011.94	-6,429,331.48	2,138,614,923.89	4,309,814,359.39	10,952,544,289.74
Add: Changes of accounting policy	-	-	-	-	41,964,622.66	41,964,622.66
2. Beginning balance on 1 January 2018	2,180,770,326.00	2,329,774,011.94	-6,429,331.48	2,138,614,923.89	4,351,778,982.05	10,994,508,912.40
3. Increases/decreases in the current period ("-" for decreases)	-	23,354,712.23	356,339.79	-	-259,344,068.24	-235,633,016.22
(1) Total comprehensive income	-	-	356,339.79	-	394,887,029.56	395,243,369.35
Net profit	-	-	-	-	394,887,029.56	394,887,029.56
Other comprehensive income	-	-	356,339.79	-	-	356,339.79
(2) Profit distribution (Note V.40)	-	-	-	-	-654,231,097.80	-654,231,097.80
Profit distribution to equity owners	-	-	-	-	-654,231,097.80	-654,231,097.80
(3) Business combination under common control	-	15,939,407.88	-	-	-	15,939,407.88
(4) Others	-	7,415,304.35	-	-	-	7,415,304.35
4. Ending balance on 30 June 2018	2,180,770,326.00	2,353,128,724.17	-6,072,991.69	2,138,614,923.89	4,092,434,913.81	10,758,875,896.18

Item	For the six months ended 30 June 2017 (Unaudited)					
	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profit	Total owner's equity
1. Ending balance on 31 December 2016	2,180,770,326.00	2,313,308,096.42	-	2,031,208,432.81	3,822,925,411.37	10,348,212,266.60
2. Movements during the year ended 31 December 2017	-	-293,171.09	-4,233,294.18	-	168,419,513.26	163,893,047.99
(1) Total comprehensive income	-	-	-4,233,294.18	-	648,188,984.98	643,955,690.80
Net profit	-	-	-	-	648,188,984.98	648,188,984.98
Other comprehensive income	-	-	-4,233,294.18	-	-	-4,233,294.18
(2) Profit distribution (Notes V.40)	-	-	-	-	-479,769,471.72	-479,769,471.72
Profit distribution to equity owners	-	-	-	-	-479,769,471.72	-479,769,471.72
(4) Others	-	-293,171.09	-	-	-	-293,171.09
3. Ending balance on 30 June 2017	2,180,770,326.00	2,313,014,925.33	-4,233,294.18	2,031,208,432.81	3,991,344,924.63	10,512,105,314.59

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

Shenzhen Expressway Company Limited

Notes to Financial Statements

For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

I. General information

1. General information of the Company

Shenzhen Expressway Company Limited (the “Company”) was established as a joint stock limited company in Guangdong Province, the People’s Republic of China (the “PRC”) on 30 December 1996. The Company has its H shares and A shares listed on the Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange of the PRC, respectively. The address of its registered office is Fumin Toll Station, Fucheng Subdistrict, Longhua District, Shenzhen, the PRC. The head office of the Company is located at 2-4/F, Jiangsu Building, Yitian Road, Futian District, Shenzhen, the PRC.

The principal activities of the Company and its subsidiaries (collectively the “Group”) are the construction, operation, management and investment of toll highways and expressways in the PRC.

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

2. The consolidation scope

These financial statements have been approved for issue by the Company’s Board of Directors on 17 August 2018.

The consolidation scope of the financial statements is determined on the basis of control. And the detailed information of changes should be referred to Note. VI.

II. The basis of preparation of the financial statements

The interim financial statements were prepared in accordance with the Basic Standards and the Specific Standards of the Accounting Standards for Business Enterprises (“ASBE”) issued by the Ministry of Finance.

The financial statements were prepared in accordance with No.32 of the ASBE “Interim Financial Statements” issued by the Ministry of Finance, and Standard No.3 on Contents and Formats for Information Disclosure by Companies Offering Securities to the Public (revised in 2017).

Except for the accounting policy changes disclosed in Note III.29, the accounting policies adopted in these financial statements are consistent with the accounting policies adopted by the Group in preparing the 2017 annual financial statements. The interim financial statements should be read in conjunction with the Group’s 2017 annual financial statements.

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

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

Shenzhen Expressway Company Limited

Notes to Financial Statements

For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates

The Group makes specific accounting policies and accounting estimates according to characteristics of its business operations. The focus of the accounting policies and accounting is the criteria for determining impairment of non-current assets (Note III.18), depreciation policy of fixed assets and amortisation policy of intangible assets (Note III.13 and 16), measurement of provisions (Note III.21), revenue recognition (Note III.22) and recognition of deferred income tax assets (Note III.24), etc.

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

1. Statement of compliance with Accounting Standards for Business Enterprises

In compliance with the Chinese Accounting Standards, the financial statements truly and completely present the consolidated and the Company's financial position on 30 June 2018 and the operating results, cash flows and other information for the six months ended 30 June 2018 of the Group and the Company.

2. Accounting period

The Company's fiscal year is from 1 January to 31 December and the accounting period started on 1 January 2018 and ended on 30 June 2018.

3. Normal operating cycle

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

4. Functional currency

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

5. Business combination

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

The accounting treatment of business combinations involving enterprises under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. For a business combination involving entities under common control, the party that, on the combination date, obtains control of another entity participating in the combination is the merging party, the other combining enterprise(s) is(are) the merged party(parties). The combination date is the date on which the merging party actually obtains control of the merged party(parties). Assets and liabilities (including goodwill arising from the acquisition of the merged party by the ultimate controlling party) obtained by the merging party in a business combination shall be measured at their carrying amounts at the date of combination as recorded by the ultimate controlling party. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) shall be adjusted to share premium under capital surplus. If the capital surplus is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Shenzhen Expressway Company Limited

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(All amounts in RMB unless otherwise stated)

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

5. Business combination (continued)

The accounting treatment of business combinations involving enterprises not under common control

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination. In a business combination not involving enterprises under common control, the party which obtains control of other combining enterprise(s) on the combination date is the acquirer, the other combining enterprise(s) is(are) the acquiree(s). The combination date is the date on which the acquirer actually obtains control of the acquiree(s).

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

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

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

6. Preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on the basis of control. The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries for the six months ended 30 June 2018. A subsidiary is an entity (including an entity, a separable part of an investee, and the structural entities controlled by the Company) which is under the control of the Company.

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

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

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For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

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

6. Preparation of consolidated financial statements (continued)

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

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

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

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

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

7. Cash and cash equivalents

Cash comprises the Group's cash on hand and deposits that can be withdrawn on demand at any time. Cash equivalents are the Group's short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

8. Foreign currency translation

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

Shenzhen Expressway Company Limited

Notes to Financial Statements

For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

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

8. Foreign currency translation (continued)

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

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

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

9. Financial instruments

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

The recognition and derecognition of financial instruments

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

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

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

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

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

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For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

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

9. Financial instruments (continued)

The classification and measurement of financial assets

The financial assets of the Group are classified in the initial recognition based on the business model of the Group's financial asset management and the characteristics of the financial assets' contractual cash flows: financial assets measured at fair value through profit or loss or financial assets measured at amortized cost. Financial assets are measured at fair value on initial recognition. However, if the initial recognition of accounts receivable does not include significant financing components or does not consider financing components not exceeding one year, it shall be confirmed at the transaction price.

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

Subsequent measurement of financial assets depends on their classification:

Debt instrument investment measured at amortized cost

Financial assets are classified as financial assets measured at amortized cost if the financial assets meet the following conditions: The Group's business model for managing the financial assets is to collect contractual cash flows; the contractual terms of the financial assets stipulate that cash generated on a specific date. The flow is only the payment of the principal and the interest based on the outstanding principal amount. For such financial assets, the effective interest method is used for subsequent measurement according to the amortized cost. The gains or losses arising from amortization or impairment are recognised in profit or loss.

Financial assets measured at fair value through profit or loss

The financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. For such financial assets, fair value is used for subsequent measurement, and all changes in fair value are recognised in profit or loss for the current period.

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

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

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

The classification and measurement of financial liabilities

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

Shenzhen Expressway Company Limited

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For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

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

9. Financial instruments (continued)

The classification and measurement of financial liabilities (continued)

Subsequent measurement of financial liabilities depends on their classification:

Financial liabilities measured at fair value through profit or loss

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

A transactional financial asset or a transactional financial liability that satisfies one of the following conditions: the purpose of obtaining the relevant financial asset or undertaking the relevant financial liability is mainly for the purpose of selling or repurchasing in the near future; it is a combination of identifiable financial instruments that are centrally managed. Partly, and there is objective evidence that the Company has recently adopted short-term profit-making methods; it is a derivative instrument, except for derivatives that are designated as effective hedging instruments and derivatives that qualify for financial guarantee contracts. Transactional financial liabilities (including derivatives that are financial liabilities) are subsequently measured at fair value, except for hedge accounting, all changes in fair value are recognised in profit or loss.

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

- (1) Accounting mismatches can be eliminated or significantly reduced.
- (2) A formal written document on risk management or investment strategy states that the portfolio of financial instruments is managed, evaluated and reported to key management personnel on a fair value basis.
- (3) A hybrid instrument that includes one or more embedded derivatives, unless the embedded derivative does not significantly change the cash flow of the hybrid instrument, or the embedded derivative is clearly not to be split from the relevant hybrid tool.
- (4) A hybrid instrument that includes embedded derivatives that need to be split but cannot be separately measured at the time of acquisition or on subsequent balance sheet dates.

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

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

Other financial liabilities

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

Shenzhen Expressway Company Limited

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

9. Financial instruments (continued)

Derivative financial instruments

The Group uses derivative financial instruments, which are currency forward contracts, to hedge its foreign currency risk. Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The effective portion of the cash flow hedge is recognised in other comprehensive income and would be transferred to the profit or loss when the hedged item influences the profit or loss. The gain or loss arising from changes in the fair value of the derivative is recognised directly in profit or loss. Gains or losses arising from changes in the fair value of derivatives are directly charged to profit or loss for the current period.

The offsetting of financial instruments

If the following conditions are met at the same time, the financial assets and financial liabilities are presented in the statement of financial position offset with each other: a statutory right to offset the confirmed amount, and the legal right is currently enforceable; net settlement, or simultaneous realization of the financial assets and settlement of the financial liabilities.

The impairment of financial instruments

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

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

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

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

In addition to the mentioned financial assets other than the simplified measurement method, the Group assesses whether its credit risk has increased significantly since the initial recognition on each balance sheet date. If the credit risk has increased significantly since the initial recognition, the Group's amount of expected credit losses during the lifetime is measured for loss; if the credit risk has not increased significantly since the initial recognition, the Group measures the loss provision based on the amount of expected credit loss over the next 12 months.

The Group considers all reasonable and evidenced information, including forward-looking information, when assessing expected credit losses.

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

Shenzhen Expressway Company Limited

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(All amounts in RMB unless otherwise stated)

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

10. Inventories

(1) Classification

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

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

(2) Costing of inventories

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

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

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

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

Inventory system adopts the Perpetual Inventory Systems.

Shenzhen Expressway Company Limited

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

11. 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 a long-term equity investment acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination costs. Where the initial investment cost of a long-term equity investment is acquired through a business combination involving enterprises under common control, the initial investment cost is the absorbing party's share of the carrying amount of the owners' equity of the party being absorbed in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the initial investment cost and the carrying amount of the consideration of the combination is adjusted to capital reserve (and the excess goes to retained earnings, if any). For other comprehensive income before the combination date, it is accounted for on the same basis as would have been required if the investee has directly disposed of the related assets or liabilities. The investee's shareholders' equity recognized resulting from changes in shareholders' equity other than net profit or loss, other comprehensive income and profit distribution is charged to profit or loss when the related investment is disposed of. Investments remain long-term after disposal are recognized in proportion, where investments converted to financial instruments after disposal are recognized in total.

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

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

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

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

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

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For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

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

11. Long-term equity investments (continued)

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

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

(3) Basis for determination of the existence of control, joint control or significant influence over the investees

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

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

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

(4) Impairment of long-term equity investments

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

12. Investment properties

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

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

	Estimated useful life	Estimated residual value rate	Annual 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.

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Notes to Financial Statements

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(All amounts in RMB unless otherwise stated)

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

12. Investment properties (continued)

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

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

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

13. Fixed assets

(1) Recognition and initial measurement of fixed assets

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

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

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

(2) Depreciation methods of fixed assets

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

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

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

Shenzhen Expressway Company Limited

Notes to Financial Statements

For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

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

13. Fixed assets (continued)

(3) Impairment of fixed assets

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

(4) Disposal of fixed assets

A fixed asset is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposal on sale, transfer, retirement or damage of a fixed asset net of its book value and related taxes and expenses is recognized in profit or loss for the period.

14. Construction in progress

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

15. Borrowing costs

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

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

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

Shenzhen Expressway Company Limited

Notes to Financial Statements

For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

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

16. Intangible assets

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

(1) Concession intangible assets

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

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

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

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

Shenzhen Expressway Company Limited

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For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

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

16. Intangible assets (continued)

(1) Concession intangible assets (continued)

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

Item	Operating period	The unit usage (RMB)
Yanba Expressway	April 2001 to April 2026(Section A) July 2003 to July 2028 (Section B) March 2010 to March 2035 (Section C)	4.49
Yanpai Expressway	May 2006 to March 2027	1.97
Meiguan Expressway	May 1995 to March 2027	0.84
Shenzhen Airport-Heao Expressway (Western Section)	May 1999 to March 2027	0.78
Nanguang Expressway	January 2008 to January 2033	4.71
Shenzhen Airport-Heao Expressway (Eastern Section)	October 1997 to March 2027	3.49
Wuhuang Expressway	September 1997 to September 2022	8.46
Qinglian Expressway	July 2009 to July 2034	26.54
Shuiguan Expressway	March 2002 to February 2027	5.86
Yichang Expressway	January 2004 to December 2033	9.53
Changsha Ring Road (North-western Section)	November 1999 to October 2029	2.45
Coastal Expressway	December 2013 to December 2038	6.31

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

(2) Other intangible assets

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

(3) Periodical review of useful life and amortisation method

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

(4) Impairment of intangible assets

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

Shenzhen Expressway Company Limited

Notes to Financial Statements

For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

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

17. Assets related to contract costs

The Group's assets related to contract costs are contractual performance costs. According to its liquidity, it is presented in the inventories.

The cost of the contract for the performance of the contract is recognized as an asset as the contract performance cost, if it does not apply to the scope of the relevant standards of inventories, fixed assets or intangible assets and meets the following conditions:

- (1) The cost is directly related to a current or anticipated contract, including direct labor, direct materials, manufacturing expenses (or similar expenses), clear costs incurred by the customer, and other costs incurred solely for the contract;
- (2) This cost increases the resources that the Company will use to fulfill its performance obligations in the future;
- (3) The cost is expected to be recovered.

The Group amortizes the assets related to the contract costs on the same basis as the revenue recognition related to the assets, which is recognised in profit or loss.

For assets related to contract costs whose carrying amount is higher than the following two differences, the Group will make provision for impairment on the excess and recognize the asset impairment losses:

- (1) Remaining considerations expected to obtain by the transfer of goods related to the asset;
- (2) Estimated costs that will occur in order to transfer the relevant commodity.

The factors of impairment in the previous period have changed, so that if the difference between (1) minus (2) is higher than the book value of the asset, it should be transferred back to the original provision for impairment of assets, and included in the current profit or loss, but the reversed book value of the subsequent asset shall not exceed the book value of the asset on the date of reversal, assuming no provision for impairment.

18. Impairment of long-term assets

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

Shenzhen Expressway Company Limited

Notes to Financial Statements

For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

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

18. Impairment of long-term assets (continued)

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

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

19. Long-term prepaid expenses

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

20. Employee benefits

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

(1) Accounting treatment of short-term wages

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

(2) Accounting treatment of pension benefits

The Group classifies the retirement benefit plans as defined contribution plans and defined benefit plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into an independent fund. And as the result, the Group has no legal or constructive obligations to pay further contributions. A defined benefit plan is a pension plan other than a defined contribution plan. During the reporting period, the Group's pension benefits were mainly pension insurance and unemployment insurance which were both defined contribution plans.

(a) Basic pension insurance

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

Shenzhen Expressway Company Limited

Notes to Financial Statements

For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

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

20. Employee benefits (continued)

(b) Enterprise annuities plan

Beside the above basic social pension insurance, the Company establishes an enterprise annuities plan in accordance with relevant national enterprise annuity system policies ("enterprise annuities plan"), in which the Group's employees can voluntarily participate. The Company shall prepare the annuities to a certain proportion of employees' total wages, the corresponding expenditures shall be recorded in current profit or loss. Except for the above-mentioned, the Company did not have any other significant social insurance commitments to its employees.

(3) Accounting treatment of termination benefits

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

21. Provisions

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

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increased amount of the book value of provisions, caused by discount restoration with the time passing by, is recognized as interest expenses.

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

22. Revenue recognition

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

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

- (1) The Group's toll revenue from the operations of toll roads is recognised when the related services have been provided, revenue and total costs can be measured reliably and economic benefits with transactions can flow into the Group.
- (2) For construction management services, when the results of the construction management services can be estimated reliably, construction management service revenue is recognized using the percentage of completion method and the stage of completion is measured with reference to the actual construction costs and related management expenses incurred till the end of the reporting period as a percentage of the total estimated construction costs and management expenses. When the results of the construction management services cannot be estimated reliably, construction management service revenue is recognized at the same amount of actual management expenses incurred only to the extent that such expenses are probable to be recovered.

Shenzhen Expressway Company Limited

Notes to Financial Statements

For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

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

22. Revenue recognition (continued)

- (3) Income from property sales is recognized when the Group signs a contract with a buyer, then obtains the proof of the buyer's payment and delivers the property to the buyer after the property is completed and passes the acceptance. When the buyer is informed of launch literally and does not have a proper reason to reject it, the related revenue is recognized after the time limit of the information is over.
- (4) Revenue from entrusted services is recognized on a straight-line basis over the contract period.
- (5) For the service concession contracts entered into with the government departments, according to which the Group participates in the development, financing, operations and maintenance of the toll road construction, the Group recognized no construction service revenue if the Group subcontracts the work to other parties and does not undertake the construction work on its own.
- (6) The Group's revenue from services like engineering consulting is recognized using the completion percentage method when the result of trade-in services can be measured reliably. The completion percentage is determined by the measurement of work completed or the proportion of labor provided to the total labor or the proportion of cost provided to the total cost. In case that results of trade-in services cannot be measured reliably, and if the labor cost provided can be recovered, the amount of labor income is recognized according to the amount of labor cost provided and the same amount of the labor cost is carried forward. If the labor cost provided cannot be recovered, the labor cost provided is recognized in the current profit or loss and the related revenue will not be recognized.
- (7) Advertising revenue is recognised on a straight-line basis over the contract period.
- (8) Interest income is determined by using the effective interest method, based on the length of time for which the Group's cash is used by others.
- (9) Income from an operating lease is recognised on a straight-line basis over the period of the lease.
- (10) There are sales rebates in some of the Group's contracts with customers (early completion awards or other arrangements based on actual customer conditions) and results in a variable consideration. The Group determines the best estimate amount of the variable consideration based on the expected value or the most likely amount, but the transaction price including the variable consideration does not exceed the amount that the accumulated revenue is likely not to be significantly reversed when the relevant uncertainty is eliminated.
- (11) For the existence of significant financing components in the contract, the Group determines the transaction price based on the amount payable by cash when assuming that the client takes the control of the goods, and discounts the nominal amount of the contract consideration to the discounted price of the goods. The difference between the determined transaction price and the consideration amount of the contract commitment is amortized using the effective interest method during the contract period.
- (12) For certain projects, the Group is responsible for the construction and implementation of the entire project as the general contractor. For the construction unit, survey and design, consulting, etc, the Group is responsible for bidding and signing contracts with the third-party units and the government shall pay the total price of the project investment to the Group in accordance with the payment method agreed in the agency construction. The Group takes control over the projects under construction before transferring the goods to the owners, leads the third party to provide services to the owners, and bear the primary responsibility for transferring the construction to the owners. Therefore, the Group is the main responsible person and recognizes the revenue according to the total consideration received or receivable. Otherwise, the Group is an agent and recognizes the revenue according to the amount of the commission or handling fee expected to receive. The amount shall be netted according to the total amount received or receivable, after deducting the price payable to other related parties, or the established commission amount or proportion is determined.

Shenzhen Expressway Company Limited

Notes to Financial Statements

For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

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

22. Revenue recognition (continued)

(13) When the construction contract between the Group and the customer is changed:

- a) If the changed contract adds construction services and contract price that can be clearly distinguished, and the added contract price reflects the separate price of the added construction service, the Group will take this contract change as a separate contract for accounting treatment;
- b) If the contract change does not fall within the above-mentioned situation (a), and the construction service transferred between the contract change date and the untransferred construction service can be clearly distinguished, the Group regards it as the original contract termination, and the uncontracted part of the original contract and the part of the contract change are merged into a new contract for accounting treatment;
- c) If the contract change does not fall within the above-mentioned situation (a) and there is no clear distinction between the construction service transferred on the contract change date and the untransferred construction service, the Group regards the contract change part as an integral part of the original contract. As for impact on the confirmed revenue, the Group will adjust the current revenue on the contract change date.

23. Government grants

A government grant is recognized when the condition attached to it is fulfilled and the grant can be received. The monetary grant from the government is measured at the amount received or receivable. The non-monetary grant from the government is measured at its fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount.

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

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

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

24. Income tax

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

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

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

Shenzhen Expressway Company Limited

Notes to Financial Statements

For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

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

24. Income tax (continued)

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

- (1) When the taxable temporary difference arises from: the initial recognition of goodwill or the initial recognition of an asset or liability in transactions that are not business combinations and, at the time of the transaction, affects neither the accounting profit, taxable profit or loss nor deductible losses;
- (2) In respect of taxable temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

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

- (1) When the deductible temporary differences do not arise from business combinations and, at the time of the transaction, affects neither the accounting profit, taxable profit or loss nor deductible losses;
- (2) In respect of deductible temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

Shenzhen Expressway Company Limited

Notes to Financial Statements

For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

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

25. Leases

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

(1) Operating leases

As lessee of an operating lease

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

As lessor of an operating lease

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

26. Dividend distribution

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

27. Fair value measurement

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

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

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

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

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

Shenzhen Expressway Company Limited

Notes to Financial Statements

For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

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

28. Other significant accounting policies and accounting estimates

Segment information

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

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

29. Changes in accounting policies and accounting estimates

Changes in accounting policies

In 2017, the Ministry of Finance announced the revised "Accounting Standard for Business Enterprises No.14 - Revenue" (the "New Revenue Standard"), "Accounting Standard for Business Enterprises No.22 - Recognition and measurement for financial instruments", "Accounting Standard for Business Enterprises No.23 – Transfer of financial assets", "Accounting Standard for Business Enterprises No.24 - Hedging" and "Accounting Standard for Business Enterprises No.37 – Presentation of financial instruments" (the "New Financial Instruments Standard"). The Group began to implement the accounting treatment to the newly revised standards above from 1 January 2018. According to the convergence rules, the information for the comparable period will not be adjusted and profit or other comprehensive income will be retrospectively adjusted since the difference between the implementation of the new standards and the current standards on the first day.

The New Revenue Standard

The New Revenue Standard establishes a new revenue recognition model for regulating revenue generated from contracts with customers. According to the New Revenue Standard, the way in which the revenue is recognized should reflect the mode in which the entity transfers goods or services to customers. The amount of revenue should reflect the amount of consideration that the entity is expected to receive due to the transfer of such goods and services to the customer. At the same time, the New Revenue Standard also regulates the judgments and estimates required for each aspect of revenue recognition. The Group only adjusts the cumulative impact of contracts that have not been completed on 1 January 2018. For changes to contracts that occurred before 1 January 2018, the Group adopted a simplified treatment method that all contracts were changed according to the contract and the final arrangement identifies the performance obligations that have been and have not been fulfilled, determines the transaction price, and apportions the transaction price between the fulfilled and outstanding performance obligations.

During the reporting period, the Group implemented the New Revenue Standard to calculate the interest cost for the receipts in advance with significant financing components in the pre-sale commercial housing contracts that were not completed at the beginning of the year, and considered the impact of the relevant interest costs on the capitalization before the completion of commercial housing construction. According to the convergence rules of the New Revenue Standard, the "inventories" under the current assets at the beginning of the year increased by RMB525,250.51, the "deferred tax assets" under the non-current assets at the beginning of the year increased by RMB1,661,004.98, the "receipts in advance" under the current liabilities at the beginning of the year increased by RMB7,169,270.43, the undistributed profit at the beginning of the year was reduced by RMB3,488,110.46, and the minority interests at the beginning of the year was reduced by RMB1,494,904.48.

Shenzhen Expressway Company Limited

Notes to Financial Statements

For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

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

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

Changes in accounting policies (continued)

The New Revenue Standard (continued)

The impact of implementing the New Revenue Standard are as follows:

Consolidated statements of financial position

30 June 2018	Amount in the financial statements	Assuming implementing the original standards	Impact	
			Adjustment	Reclassification
Account receivables	152,191,926.36	245,010,527.44	-	-92,818,601.08
Contract assets	92,818,601.08	-	-	92,818,601.08
Inventories	896,465,882.53	893,647,726.53	2,818,156.00	-
Deferred tax assets	97,485,999.17	94,307,446.32	3,178,552.85	-
Receipts in advance	-	606,084,202.06	15,532,367.41	-621,616,569.47
Contract liabilities	621,616,569.47	-	-	621,616,569.47

Consolidated statements of profit or loss

For the six months ended 30 June 2018	Amount in the financial statements	Assuming implementing the original standards	Impact
Financial expenses	-500,548,781.79	-491,242,522.10	-9,306,259.69
Revenue from services	2,677,522,763.36	2,674,286,695.16	3,236,068.20
Income tax expenses	-267,747,826.08	-269,265,373.95	1,517,547.87

The New Financial Instruments Standard

The New Financial Instruments Standard changes the classification and measurement of financial assets and requires three measurement categories: financial assets are measured at amortized cost, fair value through other comprehensive income, or fair value through profit or loss, based on both the entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Equity investments shall be measured at fair value through profit or loss. However, the Company can elect to designate equity investments measured at fair value through other comprehensive income at the date of initial application and the election is irrevocable. (Under this election, only qualifying dividends are recognized in profit or loss. Changes in fair value never reclassified to profit and loss, even if the asset is sold or otherwise derecognized.)

The New Financial Instruments Standard requires "expected credit loss" model for recognition and measurement of impairments in financial assets instead of "objective evidence of impairment" model. Expected credit loss model is applied in financial assets measured at amortized cost or fair value through other comprehensive income, loan commitments and guarantee contracts.

New hedge accounting model provides a better contact between an entity's risk management strategy and the financial statements and allows more hedging instruments and hedged items to qualify for hedge accounting. New model cancels the revisiting effective test and introduces the concept of rebalancing mechanism and hedge costs.

Shenzhen Expressway Company Limited

Notes to Financial Statements

For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

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

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

Changes in accounting policies (continued)

The New Financial Instruments Standard (continued)

With the initial application of the New Financial Instruments Standard, equity investments previously classified as “Available-for-sale financial assets” are reclassified to “Financial assets measured at fair value through profit or loss” and it is presented as “Other non-current financial assets” in financial statement. The Company evaluates the fair value of those equity investments at the implementation date of the New Financial Instruments Standard. The aforementioned impacts resulted in an increase in non-current assets “Financial assets measured at fair value through profit or loss” amounting to RMB162,510,000.00, a decrease in non-current assets “Available-for-sale financial assets” amounting to RMB106,557,169.78, an increase in non-current liabilities “Deferred tax liabilities” amounting to RMB13,988,207.56 and an increase in retained earnings amounting to RMB41,964,622.66 on 1 January 2018.

On the first implementation date, the comparison that the financial assets are classified and measured in accordance with the original and revised recognition and measurement standards for financial instruments is as follows:

The Group

	Pre-amended standards of recognition and measurement for financial instruments		Revised standards of recognition and measurement for financial instruments	
	Measurement category	Book value	Measurement category	Book value
Equity investment	Cost method	106,557,169.78	measurement at fair value through profit or loss	162,510,000.00

On the first implementation date, the book value of the original financial assets is adjusted to the book value of the new financial assets classified and measured in accordance with the revised recognition and measurement standards for financial instruments, and the adjustments are as follows:

	Notes	Book value according to the original financial instruments standard on 31 December 2017	Reclassification	Remeasurement	Book value according to the New Financial Instruments Standard on 1 January 2018
Equity investment - Available-for-sale financial asset					
Balance listed according to original financial instruments standard		106,557,169.78	-106,557,169.78	-	-
Less: Transferred to measurement at fair value through profit or loss (The New Financial Instruments Standard)		-	106,557,169.78	-	106,557,169.78
Balance listed according to the New Financial Instruments Standard		-	106,557,169.78	55,952,830.22	162,510,000.00

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For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

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

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

Changes in accounting policies (continued)

Presentation of financial statement (continued)

In accordance with the "Notice on the Revision of the Issuance of the Financial Statements of General Enterprises for Year 2018" (Accounting [2018] No. 15), except for the presentation changes of financial statements resulted from the implementation of the New Financial Instruments Standard and the New Revenue Standard, the Group consolidated the "Receivable notes" and "Account receivables" to the newly added "Receivable notes and account receivables" item, consolidated the "Dividends receivable" and "Interest receivable" to "other receivables", consolidated the "Liquidation of fixed assets" to the "Fixed assets" item, consolidated the "Project goods and material" to the "Construction in progress" item, consolidated the "Notes payable" and "Account payables" to the newly added "Notes payable and account payables" item, consolidated the "Special payable" to the "Long-term payable" item, and the "R&D expenses" item is split from the "Administrative expenses" item in the statement of profit of loss, the "Interest expense" and "Interest income" are split from the "Financial expenses" item; the "Change in the defined benefit plan carried forward to retained earnings" item was added to the statement of changes in shareholders' equity and the Group restated the comparative period statement accordingly. This change in accounting policy has no impact on the merger and the Company's net profit and shareholders' equity.

The main impacts of the retrospective adjustments resulting from the changes in the presentation of financial statements and accounting policies on 31 December 2017 are as follows:

The Group

	Before the changes in accounting policies	Changes in accounting policies	After changes in accounting policies
	1 January 2018	Reclassification	1 January 2018
Interest receivable	2,209,701.24	-2,209,701.24	-
Other receivables	171,483,113.61	2,209,701.24	173,692,814.84
Interest payable	73,582,698.51	-73,582,698.51	-
Other payables	3,001,127,861.36	73,582,698.51	3,074,710,559.87

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For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

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

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

The main impacts of the retrospective adjustments resulting from the changes in the presentation of financial statements and accounting policies on 30 June 2018 are as follows:

The Group

	Before the changes in accounting policies 30 June 2018	Changes in accounting policies Reclassification	After changes in accounting policies 30 June 2018
Interest receivable	7,313,320.43	-7,313,320.43	-
Other receivables	2,462,500,315.30	7,313,320.43	2,469,813,635.73
Interest payable	110,844,128.97	-110,844,128.97	-
Dividends payables	231,868,009.57	-231,868,009.57	-
Other payable	3,036,555,747.09	342,712,138.54	3,379,267,885.63
Financial assets measured at fair value through profit or loss	162,510,000.00	-162,510,000.00	-
Other non-current financial assets	-	162,510,000.00	162,510,000.00
Financial liabilities measured at fair value through profit or loss	61,206,132.40	-61,206,132.40	-
Transactional financial liabilities	-	61,206,132.40	61,206,132.40

Changes in accounting estimates

There were no changes in accounting estimates of the Group for the year.

Shenzhen Expressway Company Limited

Notes to Financial Statements

For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

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

30. Significant accounting estimates and judgments

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

Judgment

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

(1) The business model

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

(2) The contractual cash flow characteristics

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

Estimation uncertainty

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

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

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

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

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

(2) Amortization of concession intangible assets

As stated at Note III.16(1), amortization of concession intangible assets is provided under the traffic volume amortization method. Appropriate adjustments to the amortization of concession intangible assets will be made when there is a material difference between total projected traffic volume and the actual results.

Shenzhen Expressway Company Limited

Notes to Financial Statements

For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

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

30. Significant accounting estimates and judgments (continued)

(2) Amortization of concession intangible assets (continued)

The directors perform periodic assessment of the total projected traffic volume. The Group will appoint an independent professional traffic consultant to perform independent professional traffic studies in order to make an appropriate adjustment if there is a material and continuous difference between projected and actual traffic volume. The Group appointed independent professional traffic consultants to perform independent professional traffic studies on its main toll roads in 2006, 2010, 2013, 2014 and 2015 and perform independent traffic volume study respectively on Changsha Ring Road, Wuhuang Expressway and Yichang Expressway in 2015, 2016 and 2017, and then prospectively adjusted the amortization unit according to the revised total projected traffic volume.

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

(3) Provisions for maintenance/resurfacing obligations

As stated at Note III.21, the Group has contractual obligations under service concessions to maintain the toll road infrastructure to a specified level of serviceability. These obligations to maintain or restore the infrastructure, except for upgrading services, are to be recognized and measured as a provision.

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

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

(4) Income tax and deferred tax

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

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

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For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

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

30. Significant accounting estimates and judgments (continued)

(5) Impairment of financial assets

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

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

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

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

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

Shenzhen Expressway Company Limited

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For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

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

30. Significant accounting estimates and judgments (continued)

(7) Impairment of concession intangible assets

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

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

(8) Impairment of financial instruments

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

(9) Fair value of unlisted equity investments

The valuation of unlisted equity investments is the estimated future cash flows discounted based on the current discount rate of other financial instruments with similar contractual terms and risk characteristics. This requires the Group to estimate the expected future cash flows, credit risk, volatility and discount rate, and therefore there is uncertainty.

Shenzhen Expressway Company Limited

Notes to Financial Statements

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(All amounts in RMB unless otherwise stated)

IV. Taxation

1. Main categories and rates of taxes:

Category	Tax base	Tax rate
Value added tax ("VAT")	Real estate development income (from 1 May 2016 to 30 April 2018)	11%
	Real estate development income (from 1 May 2018)	10%
VAT	Taxable advertisement income	6%
VAT	Entrusted management income revenue from businesses other than expressway toll road (from 1 May 2016)	6%
VAT	Real estate development income and property operating lease income	5%(simply impose)
VAT	Revenue from expressway toll road business (from 1 May 2016)	3%
City maintenance and construction tax	Amount of commodity turnover tax paid	7%
Educational surcharge	Amount of commodity turnover tax paid	3%
Local educational surcharge	Amount of commodity turnover tax paid	2%
Construction fee for culture undertakings	Amount of advertising turnover	3%
Corporate income tax ("CIT")	Taxable income	Except the companies in the nest chart, 25%
Land appreciation tax	The gain on the transfer of real estate	Four level progressive rates, 30%-60%

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

The Company	Applicable tax rate
Fameluxe Company (1)	16.5%

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

2. Tax preference

For the six months ended 30 June 2018, there was no tax preference that would have the significant impact on the Group.

3. Others

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

Shenzhen Expressway Company Limited

Notes to Financial Statements

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(All amounts in RMB unless otherwise stated)

V. Notes to the consolidated financial statements

1. Cash and cash equivalents

Item	30 June 2018	31 December 2017
Cash on hand	12,266,101.63	11,227,876.21
Bank deposits	4,525,777,487.08	4,244,507,229.55
Other money funds	11,700,554.50	3,960,356.50
Total	4,549,744,143.21	4,259,695,462.26
Including: cash abroad	51,856,422.67	125,680,683.47

As at 30 June 2018, the balance of funds for the project management special account and foreign exchange swap margin account of the Group project was RMB2,394,826,383.20 (31 December 2017: RMB 2,375,125,239.77) and RMB8,000,000.00 (31 December 2017: Nil). The balance of the project management special account and the foreign exchange swap margin account of the above project are reflected in the statement of the cash flows as restricted bank deposits (Note V.54(8)).

Current deposits earn interest at the rate based on current deposit interest rates. Maturities of short-term time deposits range from 7 days to 12 months depending on the fund arrangement of the Group. Time deposits earn interest at the relevant rates with different maturities.

2. Accounts receivable

Trade receivables are interest free with a credit period of one to six months in general.

(1) Accumulated accounts receivable from the five largest debtors:

	Balance	Provision for bad debts	% of total balance
Total accumulated accounts receivable from the five largest debtors at 30 June 2018	130,048,223.04	-	85.20%
Total accumulated accounts receivable from the five largest debtors at 31 December 2017	146,561,063.50	-	65.49%

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

	30 June 2018	31 December 2017
Within 1 year	125,290,155.30	157,339,927.39
1 to 2 years	6,172,621.88	23,536,166.98
2 to 3 years	9,629,118.72	34,845,478.28
Over 3 years	11,550,030.46	8,067,381.13
Sub-total	152,641,926.36	223,788,953.78
Less: Provision for bad debts	450,000.00	450,000.00
Total	152,191,926.36	223,338,953.78

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

	Beginning Balance	Additions	Reversal	Write-off	Cancel after verification	Ending Balance
30 June 2018	450,000.00	-	-	-	-	450,000.00
31 December 2017	-	450,000.00	-	-	-	450,000.00

Shenzhen Expressway Company Limited

Notes to Financial Statements

For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

3. Advances to suppliers

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

	30 June 2018	31 December 2017
Prepaid land-transferring fund	-	286,303,642.03
Other	41,435,953.37	25,668,116.90
Total	41,435,953.37	311,971,758.93

As at 30 June 2018, the amount represents the prepayments for construction, prepaid refuel cards, survey and design expenses, prepaid billboard production fees, road insurance premium and so on.

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

Aging	30 June 2018		31 December 2017	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	38,492,981.16	92.90	79,037,423.00	25.34
1 to 2 years	1,594,908.18	3.85	91,867,638.56	29.45
2 to 3 years	1,286,550.03	3.10	57,415,057.67	18.41
Over 3 years	61,514.00	0.15	83,651,639.70	26.80
Total	41,435,953.37	100.00	311,971,758.93	100.00

As at 30 June 2018, advances to suppliers over 1 year mainly represents the construction payment. The advances to suppliers have not been carried over because the contracts have not been completed.

(3) Accumulated advances to the five largest suppliers

Total accumulated advances to the five largest suppliers	Amount	% of total balance
30 June 2018	20,365,115.41	49.15%
31 December 2017	295,105,055.31	94.59%

Shenzhen Expressway Company Limited

Notes to Financial Statements

For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

4. Other receivables

(1) Other receivables by nature are analysed as follows:

Nature	30 June 2018	31 December 2017
Capital reduction receivables	2,229,816,081.02	-
Advance payment receivables	150,928,571.28	133,439,169.42
Receivables from minority shareholders	38,202,570.60	-
The multi-junction tax of the government compensation of Meiguan Expressway Extension	27,103,668.81	27,103,668.81
Administrative reserve fund	3,318,445.83	3,338,663.37
Staff advances	2,407,274.45	1,665,864.82
Interest receivables	7,313,320.43	2,209,701.21
Others	10,723,703.31	5,935,747.19
Total	2,469,813,635.73	173,692,814.82

(2) The five largest other receivables are analysed as follows:

30 June 2018

Company name	Nature	30 June 2018	Aging	% of total balance	Provision for bad debts
Shenzhen International United Land Co., Ltd.	Capital reduction receivable	2,229,816,081.02	Within 1 year	90.28	-
Shenzhen-Shanwei Special Cooperation Zone Development and Construction Co., Ltd.	Advance payment receivables	144,637,670.05	Within 2 years	5.86	-
Huayu Investment Group	Receivables from minority shareholders and other advanced payment receivables	38,329,878.69	Within 1 year	1.55	-
Tax Authorities	The multi-junction tax of the government compensation	27,103,668.81	Within 1 year	1.10	-
Shenzhen-Shanwei Special Cooperation Zone Development and Construction Co., Ltd.	Interest receivable	4,903,652.14	Within 1 year	0.20	-
Total	/	2,444,790,950.71	/	98.99	-

Shenzhen Expressway Company Limited

Notes to Financial Statements

For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(2) The five largest other receivables are analysed as follows (continued):

31 December 2017

Company name	Nature	31 December 2017	Aging	% of total balance	Provision for bad debts
Shenzhen-Shanwei Special Cooperation Zone Development and Construction Co., Ltd.	Advance payment receivables	129,777,633.41	Within 2 years	74.72	-
Tax Authorities	The multi-junction tax of the government compensation	27,103,668.81	Within 1 year	15.60	-
Nanguang special inspection station	Advance for water and electricity expenses	1,187,778.47	Over 3 years	0.68	-
Sun Hung Kai Real Estate Agency Co., Ltd.	Deposits	880,004.09	Over 3 years	0.51	-
Jiangsheng Real Estate Development(Shenzhen) Co., Ltd.	Premium for leases	829,074.00	2 to 3 years	0.48	-
Total	/	159,778,158.78	/	91.99	-

(3) The aging of other receivables according to the recognition date is analysed below:

	30 June 2018	31 December 2017
Within 1 year	2,421,135,547.80	165,064,613.32
1 to 2 years	42,568,359.89	2,367,884.62
2 to 3 years	2,174,313.83	1,080,967.86
Over 3 years	3,935,414.21	5,179,349.02
Total	2,469,813,635.73	173,692,814.82

Shenzhen Expressway Company Limited

Notes to Financial Statements

For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

5. Inventories

(1) Inventory classification

Item	30 June 2018			31 December 2017		
	Carrying amount	Allowance for impairment	Net book amount	Carrying amount	Allowance for impairment	Net book amount
Properties held for development (a)	586,644,619.66	-	586,644,619.66	295,767,370.60	-	295,767,370.60
Properties under development (b)	289,080,708.94	-	289,080,708.94	211,699,556.05	-	211,699,556.05
Properties held for sale(c)	15,129,153.82	-	15,129,153.82	87,090,276.78	-	87,090,276.78
Toll tickets	4,659,879.90	-	4,659,879.90	4,125,053.48	-	4,125,053.48
Maintenance and repair parts	661,337.01	-	661,337.01	540,875.01	-	540,875.01
Low value consumables	290,183.20	-	290,183.20	295,341.48	-	295,341.48
Total	896,465,882.53	-	896,465,882.53	599,518,473.40	-	599,518,473.40

(a) Properties held for development were the lands held by the Group located in Longli County to be developed, among which the lands held by Guizhou Shenzhen Expressway Land Co., Ltd. (Guizhou Land) were parts of the land planned to be developed under Phase II to Phase V of "Interlaken Town Project".

(b) Properties under development

Name of project	Start time	Estimated completion date	The amount of estimated investment	Ending balance on 30 June 2018	Opening balance on 1 January 2018
Phase II Stage I of "Interlaken Town Project"	May 2017	May 2019	450,000,000.00	196,085,034.20	132,983,866.58
Public area	December 2015	-	-	92,995,674.74	78,715,689.47
Total	-	-	450,000,000.00	289,080,708.94	211,699,556.05

(c) The property held for sale is the first phase of Phase I of Interlaken Town Project. The property held for sale achieved a completion area of 38,768.63 square meters in 2016, 37,195.49 square meters of the completed area were delivered and there was no delivery area in the current period, the remaining completed saleable area was 1,573.14 square meters.

(2) Borrowing cost capitalization

In the current period, the capitalized borrowing cost in the Group's inventories was RMB2,818,156.00 and the capitalization ratio was 4.75%. (2017: the capitalized borrowing cost was RMB481,277.57 and the capitalization ratio was 4.35%).

6. Contract assets (Only applicable in 2018)

Item	30 June 2018
Construction receivable	92,818,601.08
Total	92,818,601.08

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For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

7. Current portion of non-current assets

Item	30 June 2018	31 December 2017
Receivables from Longli BT Project (Note V.10(a))	22,983,921.55	79,908,301.90
Interest for compensation related to the adjustment of charges by the Shenzhen Municipal People's Government of the three projects	12,019,232.87	-
Total	35,003,154.42	79,908,301.90

8. Other current assets

Item	30 June 2018	31 December 2017
Prepaid tax	31,340,582.25	25,996,264.62
Pending deduction of input value-added tax	26,074,577.91	13,370,726.88
Total	57,415,160.16	39,366,991.50

9. Long-term prepayments

Item	30 June 2018	31 December 2017
Construction prepayments from the Shenzhen Outer Ring Expressway Investment Company Limited (Outer Ring Company)	364,788,561.21	323,666,637.88
Prepayments for resettlement	3,329,760.00	3,329,760.00
Total	368,118,321.21	326,996,397.88

At 30 June 2018, the Outer Ring Company had prepaid the construction funds for Baoan District and Longgang District in Outer Ring Expressway amounting to RMB364,788,561.21. The prepayments will be settled according to the progress of the construction.

10. Long-term receivables

(1) General information:

Item	30 June 2018			31 December 2017			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)	22,983,921.55	-	22,983,921.55	79,908,301.90	-	79,908,301.90	9%
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	-
Receivable on Billboard quality deposits	4,500,000.00	-	4,500,000.00	4,500,000.00	-	4,500,000.00	-
Sub-total	27,483,921.55	-	27,483,921.55	96,427,534.77	-	96,427,534.77	-
Less: Current portion	22,983,921.55	-	22,983,921.55	79,908,301.90	-	79,908,301.90	-
Total	4,500,000.00	-	4,500,000.00	16,519,232.87	-	16,519,232.87	7

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V. Notes to the consolidated financial statements (continued)

10. Long-term receivables (continued)

- (a) The Longli BT project entrusted to Guishen Company was completed at the end of 2014. As at 30 June 2018, accounts receivable due from Longli BT project amounting to RMB22,983,921.55, were expected to be received within one year. For the current period, RMB2,230,135.85 (the same period in 2017: RMB3,891,690.99) was recognized as interest income based on the effective interest method.

11. Available-for-sale financial assets (Only applicable in 2017)

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

Item	31 December 2017		
	Carrying amount	Allowance for impairment	Net book amount
Available-for-sale equity instruments:			
Measured at cost	106,557,169.78	-	106,557,169.78
Total	106,557,169.78	-	106,557,169.78

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

Investee	Carrying amount				Allowance for impairment				Share-holding (%)	Cash dividends during the period
	Opening balance	Additional during the period	Deduction during the period	Closing balance	Opening balance	Additional during the period	Deduction during the period	Closing balance		
Guangdong United Electronic Services Company Limited ("United Electronic Company")	43,490,000.00	-	-	43,490,000.00	-	-	-	-	12.86	-
Shenzhen Water Planning & Design Institute Company Limited	-	63,067,169.78	-	63,067,169.78	-	-	-	-	15.00	-
Total	43,490,000.00	63,067,169.78	-	106,557,169.78	-	-	-	-	-	-

12. Other non-current financial assets (Only applicable in 2018)

Item	30 June 2018
Equity of Guangdong United Electronic Service Co., Ltd. ("United Electronics")	67,050,000.00
Equity of Shenzhen Water Planning & Design Institute Co., Ltd.	95,460,000.00
Total	162,510,000.00

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V. Notes to the consolidated financial statements (continued)

13. Long-term equity investments

30 June 2018

Investee	31 December 2017	Current period movements					30 June 2018	Share-holding (%)	Impairment provided in the current period
		Current period additions	Reduction	Investment income / loss recognized under equity pick-up method	Cash dividend declared	Others			
Associates									
Shenzhen Expressway Engineering Consulting Company ("Consulting Company")	53,484,186.60	-	-	2,787,254.51	-	-	56,271,441.11	24	-
Shenzhen Huayu Expressway Investment Company ("Huayu" company)	44,978,772.50	-	-	4,145,526.87	-4,000,000.00	-	45,124,299.37	40	-
Guangdong Jiangzhong Expressway Company Limited ("Jiangzhong Company")	307,302,158.66	-	-	11,781,656.09	-6,315,334.65	-	312,768,480.10	25	-
Nanjing Yangtze River Third Bridge Company Limited ("Nanjing Third Bridge Company")	286,316,237.75	-	-	27,916,036.29	-	-	314,232,274.04	25	-
Guangdong Yangmao Expressway Company Limited ("Yangmao Company")	337,426,224.67	57,500,000.00	-	47,172,951.78	-46,876,757.64	-	395,222,418.81	25	-
Guangzhou Western Second Ring Expressway Company Limited ("GZ W2 Company")	254,647,119.35	-	-	29,013,997.84	-	-	283,661,117.19	25	-
Yunfu Guangyun Expressway Company Limited ("Guangyun Company")	74,884,552.95	-	-	19,323,590.77	-7,151,892.57	-	87,056,251.15	30	-
Guizhou Hengtongli Property Company Limited ("Guizhou Hengtongli")	42,265,929.51	-	-	-	-	-	42,265,929.51	49	-
Shenzhen International United Land Company Limited ("United Land Company") (2)	2,445,154,415.03	-	-2,205,000,000.00	-181,600.74	-	-180,033,634.70	59,939,179.59	49	-
Bank of Guizhou Co., Limited ("Bank of Guizhou") (3)	806,867,232.14	-	-	50,877,659.34	-	7,771,644.14	865,516,535.62	3.44	-
Chongqing Derun Environment Co., Limited ("Derun Environment") (4)	4,410,925,451.75	-	-	92,446,296.26	-	-1,559,348.39	4,501,812,399.62	20	-
Sub-total	9,064,252,280.91	57,500,000.00	-2,205,000,000.00	285,283,369.01	-64,343,984.86	-173,821,338.95	6,963,870,326.11	/	-
Total	9,064,252,280.91	57,500,000.00	-2,205,000,000.00	285,283,369.01	-64,343,984.86	-173,821,338.95	6,963,870,326.11	/	-

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For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

13. Long-term equity investments (continued)

31 December 2017

Investee	31 December 2016	Current period movements					31 December 2017	Share holding (%)	Impairment provided in the current period
		Current period additions	Investment income / loss recognized under equity pick-up method	Cash dividend declared	Investment cost refunded	Others			
Joint ventures									
Shenchang Company (1)	166,160,042.14	-	7,079,749.78	-	-11,058,312.73	-162,181,479.19	-	51	-
Sub-total	166,160,042.14	-	7,079,749.78	-	-11,058,312.73	-162,181,479.19	-	/	-
Associates									
Consulting Company	44,704,298.83	-	10,039,887.77	-1,260,000.00	-	-	53,484,186.60	24	-
Huayu company	52,745,170.55	-	8,233,601.95	-8,233,601.95	-7,766,398.05	-	44,978,772.50	40	-
Jiangzhong Company	303,593,845.96	-	22,111,131.20	-18,402,818.50	-	-	307,302,158.66	25	-
Nanjing Third Bridge Company	301,541,842.94	-	44,075,730.38	-44,075,730.38	-15,225,605.19	-	286,316,237.75	25	-
Yangmao Company	291,675,894.82	-	84,064,090.85	-38,313,761.00	-	-	337,426,224.67	25	-
GZ W2 Company	248,169,322.23	-	49,124,097.12	-42,646,300.00	-	-	254,647,119.35	25	-
Guangyun Company	81,305,717.98	-	38,578,834.97	-38,578,834.97	-6,421,165.03	-	74,884,552.95	30	-
Guizhou Hengtongli	42,265,929.51	-	-	-	-	-	42,265,929.51	49	-
Unit Land Company	2,445,503,789.24	-	-349,374.21	-	-	-	2,445,154,415.03	49	-
Bank of Guizhou	725,615,651.97	-	100,300,859.14	-29,085,863.01	-	10,036,584.04	806,867,232.14	3.78	-
Derun Environment	-	4,415,582,466.80	125,957,501.97	-119,600,000.00	-	-11,014,517.02	4,410,925,451.75	20	-
Sub-total	4,537,121,464.03	4,415,582,466.80	482,136,361.14	-340,196,909.81	-29,413,168.27	-977,932.98	9,064,252,280.91	/	-
Total	4,703,281,506.17	4,415,582,466.80	489,216,110.92	-340,196,909.81	-40,471,481.00	-163,159,412.17	9,064,252,280.91	/	-

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V. Notes to the consolidated financial statements (continued)

13. Long-term equity investments (continued)

- (1) Shenchang Company's registered and main operated locations are in China. As at 1 April 2017, Shenchang Company became a subsidiary of the Company.
- (2) Xin Tong Chan Company and the Company respectively hold 51% and 49% of the shares of United Land Company. On 2 February 2018, Xin Tong Chan Company, the Company and United Land Company signed the "Capital Reduction Agreement". After the agreement, the three parties agreed that the Company and Xin Tong Chan Company will conduct the simultaneous capital reduction according to the equity ratio with the total amount of capital reduction of 4.5 billion yuan. The Company reduced the amount of funds by 2.205 billion, and Xin Tong Chan Company reduced the amount of funds by 2.295 billion yuan. After the completion of this capital reduction, the registered capital of the joint land company was reduced from 5 billion yuan to 500 million yuan. The Company and Xin Tong Chan Company still hold the equity of the United Land Company and enjoy the shareholders' equity according to the original shareholding ratio.
- (3) On 17 June 2016, in accordance with the approval and authorization of the general meeting of Guizhou Bank, the Company got a place in board of directors of Guizhou Bank. Because of Guizhou Bank's decentralized equity, the Company became the fourth largest shareholder of Guizhou Bank and had significant influence on its operation. Therefore the Company accounted for Guizhou Bank as an associate under the equity method. On 2 April 2018, the third party company made capital injections to Guizhou Bank. The board remains the same while the Company's shareholding of Guizhou Bank decreased from 3.78% to 3.44%, and the Company still keeps the place of the fourth largest shareholder of Guizhou Bank. The Company increased its capital reserve by RMB7,415,304.35. Additionally, an adjustment of decreasing the other comprehensive income by RMB356,339.79 was made due to the other comprehensive loss of approximately in Guizhou Bank.
- (4) On 25 May 2017, the Company's wholly-owned subsidiary, Shenzhen Expressway Environment Construction Management Co., LTD ("Environment Company"), signed a property transaction contract with Chongqing Water Property Management Co., LTD ("Water Property") pursuant to which Environment Company purchased 20% of equity of Derun Environment at a consideration of RMB408,644,500.00. On 6 June 2017, the transaction was completed by paying a transaction fee and stamp tax of RMB6,937,966.80, and the equity was transferred on the same day. As a result of the transfer, Derun Environment became an associate of the Company and is accounted for using the equity method. In addition, an adjustment of decreasing the other comprehensive income by RMB610,230.60 was due to the movement of the other comprehensive income in Derun Environment. An adjustment of decreasing capital reserve by RMB949,117.79 was due to the movement of the capital reserve in Derun Environment.
- (5) The percentage of ownership interest of the associated enterprise held is the same as the percentage of its voting power.

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V. Notes to the consolidated financial statements (continued)

14. Investment properties

Subsequently measured at cost:

Item	30 June 2018	31 December 2017
1. Cost		
Balance c/f	18,180,000.00	18,180,000.00
Balance b/d	18,180,000.00	18,180,000.00
2. Accumulated depreciation		
Balance c/f	5,229,275.00	4,653,575.00
Current period additions	287,870.20	575,700.00
-Addition	287,870.20	575,700.00
Balance b/d	5,517,145.20	5,229,275.00
3. Carrying amount		
Balance c/f	12,662,854.80	12,950,725.00
Balance b/d	12,950,725.00	13,526,425.00

The investment properties are leased to the third parties in the form of operating leases.

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

On 30 June 2018, the investment without certificate of ownership is listed as follows:

	Carrying amount	Reason for not yet obtaining the certificate of ownership
The parking lot beneath the Jiangsu Building	12,662,854.80	All the certificates of ownership of the parking lots in Shenzhen are not available

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V. Notes to the consolidated financial statements (continued)

15. Fixed assets

(1) Fixed asset movement

30 June 2018

Item	Buildings	Traffic equipment	Motor vehicles	Office and other equipment	Total
1. Cost					
31 December 2017	882,607,957.15	1,513,595,621.98	31,281,453.96	57,899,811.93	2,485,384,845.02
Current period additions	1,458,557.35	14,623,927.51	2,579,290.27	1,706,074.25	20,367,849.38
-Purchase	1,353,840.37	1,173,664.68	2,579,290.27	1,610,393.25	6,717,188.57
-Construction in progress	104,716.98	13,450,262.83	-	95,681.00	13,650,660.81
Current period reductions	1,343,587.19	608,411.85	3,043,953.22	2,485,141.37	7,481,093.63
-Disposals	1,343,587.19	608,411.85	3,043,953.22	2,485,141.37	7,481,093.63
30 June 2018	882,722,927.31	1,527,611,137.64	30,816,791.01	57,120,744.81	2,498,271,600.77
2. Accumulated depreciation					
31 December 2017	283,145,800.71	987,437,691.77	23,844,912.29	33,821,171.48	1,328,249,576.25
Current period additions	19,910,114.76	57,676,243.82	1,560,437.16	3,257,587.72	82,404,383.46
-Addition	19,910,114.76	57,676,243.82	1,560,437.16	3,257,587.72	82,404,383.46
Current period reductions	1,090,083.25	3,902.94	2,881,120.00	2,289,469.26	6,264,575.45
-Disposals	1,090,083.25	3,902.94	2,881,120.00	2,289,469.26	6,264,575.45
30 June 2018	301,965,832.22	1,045,110,032.65	22,524,229.45	34,789,289.94	1,404,389,384.26
3. Net book value					
30 June 2018	580,757,095.09	482,501,104.99	8,292,561.56	22,331,454.87	1,093,882,216.51
31 December 2017	599,462,156.44	526,157,930.21	7,436,541.67	24,078,640.45	1,157,135,268.77

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Notes to financial statements

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V. Notes to the consolidated financial statements (continued)

15. Fixed assets (continued)

(1) Fixed asset movement (continued)

31 December 2017

Item	Buildings	Traffic equipment	Motor vehicles	Office and other equipment	Total
1. Cost					
31 December 2016	859,165,395.84	1,470,988,459.50	31,097,739.12	49,723,846.63	2,410,975,441.09
Current period additions	23,599,812.51	47,528,487.67	2,328,972.94	13,153,229.77	86,610,502.89
-Purchase	643,699.77	4,545,731.60	893,773.62	6,391,423.08	12,474,628.07
-Construction in progress	1,215,066.93	8,366,244.02	-	196,317.00	9,777,627.95
-Addition from business combinations involving enterprises not under common control	21,741,045.81	34,616,512.05	1,435,199.32	6,565,489.69	64,358,246.87
Current period reductions	157,251.20	4,921,325.19	2,145,258.10	4,977,264.47	12,201,098.96
-Disposals	157,251.20	4,921,325.19	2,145,258.10	4,977,264.47	12,201,098.96
31 December 2017	882,607,957.15	1,513,595,621.98	31,281,453.96	57,899,811.93	2,485,384,845.02
2. Accumulated depreciation					
31 December 2016	243,643,138.58	861,438,006.71	22,904,393.32	32,836,354.08	1,160,821,892.69
Current period additions	39,635,763.17	128,160,827.18	2,967,711.01	5,601,140.85	176,365,442.21
-Addition	39,635,763.17	128,160,827.18	2,967,711.01	5,601,140.85	176,365,442.21
Current period reductions	133,101.04	2,161,142.12	2,027,192.04	4,616,323.45	8,937,758.65
-Disposals	133,101.04	2,161,142.12	2,027,192.04	4,616,323.45	8,937,758.65
31 December 2017	283,145,800.71	987,437,691.77	23,844,912.29	33,821,171.48	1,328,249,576.25
3. Net book value					
31 December 2017	599,462,156.44	526,157,930.21	7,436,541.67	24,078,640.45	1,157,135,268.77
31 December 2016	615,522,257.26	609,550,452.79	8,193,345.80	16,887,492.55	1,250,153,548.40

(2) Fixed assets without certificates of ownership

On 30 June 2018, the fixed assets without certificates of ownership are listed as follows:

Item	Carrying amount	Reason for lacking certificates of ownership
Buildings	468,142,611.18	As all toll roads and the affiliated buildings and structures would be returned to the government when the approved operating periods expire, the Group has no intention to acquire the related property ownership certificates.

During the period, depreciation expenses amounting to RMB79,711,484.33 were charged to cost of services (the same period in 2017: RMB83,916,812.69), and depreciation expenses amounting to RMB2,692,899.13 were charged to general and administrative expenses (the same period in 2017: RMB2,577,546.26).

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V. Notes to the consolidated financial statements (continued)

16. Construction in progress

(1) General information of construction in progress

30 June 2018

Item	30 June 2018			31 December 2017		
	Carrying amount	Impairment	Net book amount	Carrying amount	Impairment	Net book amount
Nation-wide ETC toll interconnection project	266,000.00	-	266,000.00	266,000.00	-	266,000.00
Billboard and light box projects	463,594.09	-	463,594.09	670,830.18	-	670,830.18
Maintenance planning research and basic database construction project for the maintenance of the information platform	1,743,754.46	-	1,743,754.46	1,743,754.46	-	1,743,754.46
Toll station expansion project	8,506,870.05	-	8,506,870.05	7,731,870.05	-	7,731,870.05
First-class weighting equipment project	3,324,844.14	-	3,324,844.14	4,921,937.80	-	4,921,937.80
Fire control system updating project	-	-	-	2,040,276.84	-	2,040,276.84
Toll station weighting equipment movement projects	-	-	-	1,705,350.22	-	1,705,350.22
Video monitoring project	5,501,762.87	-	5,501,762.87	7,695,323.28	-	7,695,323.28
Tailing engineering	7,280,601.84	-	7,280,601.84	3,869,546.31	-	3,869,546.31
Others	2,954,763.61	-	2,954,763.61	5,178,306.64	-	5,178,306.64
Total	30,042,191.06	-	30,042,191.06	35,823,195.78	-	35,823,195.78

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V. Notes to the consolidated financial statements (continued)

16. Construction in progress (continued)

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

30 June 2018

Item	Budget amount	31 December 2017	Current period additions	Transfer to fixed assets	Other reductions in current period	30 June 2018	The proportion of the current period additions to total budget (%)	Progress of construction	Interest capitalized	Source of funds
Nation-wide ETC toll interconnection project	53 million	266,000.00	-	-	-	266,000.00	-	In progress	-	Self-owned funds
Billboard and light box projects	10 million	670,830.18	2,197.88	104,716.98	104,716.99	463,594.09	0.02	In progress	-	Self-owned funds
Maintenance planning research and basic database construction project for the maintenance of the information platform construction project	2.56 million	1,743,754.46	-	-	-	1,743,754.46	-	In progress	-	Self-owned funds
Toll station expansion project	9.7 million	7,731,870.05	775,000.00	-	-	8,506,870.05	7.99	In progress	-	Self-owned funds
First-class weighting equipment project	6.06 million	4,921,937.80	1,465,473.50	3,062,567.16	-	3,324,844.14	24.18	In progress	-	Self-owned funds
Fire control system updating project	2.06 million	2,040,276.84	17,140.00	2,057,416.84	-	-	0.83	Completed	-	Self-owned funds
Toll station weighting equipment movement projects	2.1 million	1,705,350.22	-	1,634,845.22	70,505.00	-	-	Completed	-	Self-owned funds
Video monitoring project	8.57 million	7,695,323.28	1,418,505.60	3,612,066.01	-	5,501,762.87	16.55	In progress	-	Self-owned funds
Tailing engineering	60 million	3,869,546.31	3,411,055.53	-	-	7,280,601.84	5.68	In progress	-	Self-owned funds
Others (a)		5,178,306.64	955,505.57	3,179,048.60	-	2,954,763.61	-	In progress	-	Self-owned funds
Total		35,823,195.78	8,044,878.08	13,650,660.81	175,221.99	30,042,191.06	/		-	

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V. Notes to the consolidated financial statements (continued)

16. Construction in progress (continued)

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

31 December 2017

Item	Budget amount	31 December 2016	Current period additions	Transfer to fixed assets	Other reductions in current period	31 December 2017	The proportion of the current period additions to total budget (%)	Progress of construction	Interest capitalized	Source of funds
Nation-wide ETC toll interconnection project	53 million	2,142,889.98	-	1,355,718.54	521,171.44	266,000.00	-	In progress	-	Self-owned funds
Billboard and light box projects	10 million	393,471.69	448,018.86	170,660.37	-	670,830.18	4.48	In progress	-	Self-owned funds
Maintenance planning research and basic database construction project for the maintenance of the information platform construction project	2.56 million	1,743,754.46	-	-	-	1,743,754.46	-	In progress	-	Self-owned funds
Toll station expansion project	9.7 million	1,276,766.00	6,455,104.05	-	-	7,731,870.05	66.55	In progress	-	Self-owned funds
First-class weighting equipment project	5.58 million	-	4,921,937.80	-	-	4,921,937.80	88.17	In progress	-	Self-owned funds
Fire control system updating project	2.06 million	-	2,040,276.84	-	-	2,040,276.84	99.02	In progress	-	Self-owned funds
Toll station weighting equipment movement projects	2.1 million	-	1,705,350.22	-	-	1,705,350.22	81.19	In progress	-	Self-owned funds
Video monitoring project	8.11 million	-	7,695,323.28	-	-	7,695,323.28	94.94	In progress	-	Self-owned funds
Electromechanical project	5.2 million	3,471,105.22	-	3,471,105.22	-	-	-	Completed	-	Self-owned funds
Tailing engineering	60 million	-	3,869,546.31	-	-	3,869,546.31	6.45	In progress	-	Self-owned funds
Others (a)		4,547,510.46	5,413,610.20	4,780,143.82	2,670.20	5,178,306.64	-	In progress	-	Self-owned funds
Total		13,575,497.81	32,549,167.56	9,777,627.95	523,841.64	35,823,195.78	/		-	

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

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

17. Intangible assets

30 June 2018

Item	Concession intangible assets (a)	Office software	Billboard land use rights	Total
1. Cost				
31 December 2017	38,462,465,396.52	16,308,069.85	62,311,555.28	38,541,085,021.65
Current year additions	326,970,991.16	704,627.86	764,181.11	328,439,800.13
- Purchased	-	704,627.86	764,181.11	1,468,808.97
- Constructions	326,970,991.16	-	-	326,970,991.16
Current year reductions	14,465,893.37	-	-	14,465,893.37
- Other reduction	14,465,893.37	-	-	14,465,893.37
30 June 2018	38,774,970,494.31	17,012,697.71	63,075,736.39	38,855,058,928.41
2. Accumulated amortisation				
31 December 2017	7,754,009,955.65	11,173,014.08	53,684,488.40	7,818,867,458.13
Current year additions	745,968,197.74	1,398,165.34	5,458,287.53	752,824,650.61
- Additions	745,968,197.74	1,398,165.34	5,458,287.53	752,824,650.61
30 June 2018	8,499,978,153.39	12,571,179.42	59,142,775.93	8,571,692,108.74
3. Impairment				
31 December 2017	3,258,235,294.61	-	-	3,258,235,294.61
30 June 2018	3,258,235,294.61	-	-	3,258,235,294.61
4. Net book value				
30 June 2018	27,016,757,046.31	4,441,518.29	3,932,960.46	27,025,131,525.06
31 December 2017	27,450,220,146.26	5,135,055.77	8,627,066.88	27,463,982,268.91

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(All amounts in RMB unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

17. Intangible assets (continued)

31 December 2017

Item	Concession intangible assets (a)	Office software	Billboard land use rights	Total
1. Cost				
31 December 2016	34,365,153,119.92	15,551,877.67	59,953,840.88	34,440,658,838.47
Current year additions	4,112,369,103.46	777,591.04	2,357,714.40	4,115,504,408.90
- Purchased	-	777,591.04	2,357,714.40	3,135,305.44
- Constructions	745,139,203.42	-	-	745,139,203.42
- Addition from business combinations involving enterprises not under common control	3,367,229,900.04	-	-	3,367,229,900.04
Current year reductions	15,056,826.86	21,398.86	-	15,078,225.72
- Disposal	15,056,826.86	21,398.86	-	15,078,225.72
31 December 2017	38,462,465,396.52	16,308,069.85	62,311,555.28	38,541,085,021.65
2. Accumulated amortisation				
31 December 2016	6,364,267,424.00	8,441,457.76	41,796,242.41	6,414,505,124.17
Current year additions	1,396,445,524.55	2,735,245.82	11,888,245.99	1,411,069,016.36
- Additions	1,396,445,524.55	2,735,245.82	11,888,245.99	1,411,069,016.36
Current year reductions	6,702,992.90	3,689.50	-	6,706,682.40
- Disposal	6,702,992.90	3,689.50	-	6,706,682.40
31 December 2017	7,754,009,955.65	11,173,014.08	53,684,488.40	7,818,867,458.13
3. Impairment				
31 December 2016	3,258,235,294.61	-	-	3,258,235,294.61
31 December 2017	3,258,235,294.61	-	-	3,258,235,294.61
4. Net book value				
31 December 2017	27,450,220,146.26	5,135,055.77	8,627,066.88	27,463,982,268.91
31 December 2016	24,742,650,401.31	7,110,419.91	18,157,598.47	24,767,918,419.69

Shenzhen Expressway Company Limited

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For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

17. Intangible assets (continued)

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

30 June 2018

	Cost	31 December 2017	Current year additions	Current year reductions	Current year amortization	Transfer out current year amortization	30 June 2018	Accumulated amortization	Impairment
Qinglian Expressway (b)	9,280,989,698.71	6,981,982,455.22	-	-	124,254,119.77	-	6,857,728,335.45	1,803,261,363.26	620,000,000.00
Nanguang Expressway	2,807,961,962.26	2,246,769,553.45	52,488.85	-	45,689,066.04	-	2,201,132,976.26	606,828,986.00	-
Shenzhen Airport-Heao Expressway - Eastern Section	3,086,787,505.32	1,573,896,458.74	-	-	104,613,111.61	-	1,469,283,347.13	1,617,504,158.19	-
Shuiguan Expressway (b)	4,448,811,774.58	3,747,150,068.38	-	-	164,904,458.61	-	3,582,245,609.77	866,566,164.81	-
Yanba Expressway	1,254,322,080.64	849,062,065.24	-	1,090,646.97	22,028,963.72	-	825,942,454.55	428,379,626.09	-
Wuhuang Expressway	1,523,192,561.64	468,045,326.57	-	-	65,073,237.55	-	402,972,089.02	1,120,220,472.62	-
Meiguan Expressway	604,588,701.64	295,900,042.29	-	-	18,893,229.89	-	277,006,812.40	327,581,889.24	-
Yanpai Expressway	899,385,372.22	488,218,744.61	-	11,146,935.96	19,977,647.49	-	457,094,161.16	442,291,211.06	-
Shenzhen Airport-Heao Expressway - Western Section	843,517,682.25	296,195,206.74	-	-	21,644,241.15	-	274,550,965.59	568,966,716.66	-
Outer Ring Expressway (b)	1,248,155,872.82	926,564,764.56	321,591,108.26	-	-	-	1,248,155,872.82	-	-
Yichang Expressway (b)	3,123,065,164.24	3,040,424,917.48	-	2,228,310.44	75,466,914.50	-	2,962,729,692.54	160,335,471.70	-
Changsha Ring Road - North-western Section	241,830,372.93	225,143,413.87	-	-	10,610,927.49	-	214,532,486.38	27,297,886.55	-
Coastal Expressway (b)/(d)	9,412,361,745.06	6,310,867,129.11	5,327,394.05	-	72,812,279.92	-	6,243,382,243.24	530,744,207.21	2,638,235,294.61
Total of concession intangible assets	38,774,970,494.31	27,450,220,146.26	326,970,991.16	14,465,893.37	745,968,197.74	-	27,016,757,046.31	8,499,978,153.39	3,258,235,294.61

Shenzhen Expressway Company Limited

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For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

17. Intangible assets (continued)

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

31 December 2017

	Cost	31 December 2016	Current year additions	Current year reductions	Current year amortization	Transfer out current year amortization	31 December 2017	Accumulated amortization	Impairment
Qinglian Expressway (b)	9,280,989,698.71	7,212,538,154.17	-	-	230,555,698.95	-	6,981,982,455.22	1,679,007,243.49	620,000,000.00
Nanguang Expressway	2,807,909,473.41	2,336,172,008.82	1,251,096.03	-	90,653,551.40	-	2,246,769,553.45	561,139,919.96	-
Shenzhen Airport-Heao Expressway - Eastern Section	3,086,787,505.32	1,779,279,406.26	-	5,383,006.52	203,076,662.42	3,076,721.42	1,573,896,458.74	1,512,891,046.58	-
Shuiguan Expressway (b)	4,448,811,774.58	4,081,012,258.91	-	-	333,862,190.53	-	3,747,150,068.38	701,661,706.20	-
Yanba Expressway	1,255,412,727.61	904,255,257.60	75,535.50	-	55,268,727.86	-	849,062,065.24	406,350,662.37	-
Wuhuang Expressway	1,523,192,561.64	593,707,024.96	-	-	125,661,698.39	-	468,045,326.57	1,055,147,235.07	-
Meiguan Expressway	604,588,701.64	339,755,770.08	-	9,458,643.91	37,991,519.77	3,594,435.89	295,900,042.29	308,688,659.35	-
Yanpai Expressway	910,532,308.18	530,706,436.99	-	-	42,487,692.38	-	488,218,744.61	422,313,563.57	-
Shenzhen Airport-Heao Expressway - Western Section	843,517,682.25	338,295,790.50	-	-	42,100,583.76	-	296,195,206.74	547,322,475.51	-
Outer Ring Expressway (b)	926,564,764.56	182,861,316.67	743,703,447.89	-	-	-	926,564,764.56	-	-
Yichang Expressway (b)	3,125,293,474.68	-	3,125,293,474.68	-	84,868,557.20	-	3,040,424,917.48	84,868,557.20	-
Changsha Ring Road – North-western Section	241,830,372.93	-	242,045,549.36	215,176.43	16,718,794.65	31,835.59	225,143,413.87	16,686,959.06	-
Coastal Expressway (b)/(d)	9,407,034,351.01	6,444,066,976.35	-	-	133,199,847.24	-	6,310,867,129.11	457,931,927.29	2,638,235,294.61
Total of concession intangible assets	38,462,465,396.52	24,742,650,401.31	4,112,369,103.46	15,056,826.86	1,396,445,524.55	6,702,992.90	27,450,220,146.26	7,754,009,955.65	3,258,235,294.61

(b) The pledge information relating to the concession intangible assets of Qinglian Expressway, Outer Ring Expressway, Yichang Expressway, Shuiguan Expressway and Coastal Expressway is set out in Note V.31(1)(b) and Note V.21(1).

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For the six months ended 30 June 2018

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V. Notes to the consolidated financial statements (continued)

17. Intangible assets (continued)

- (c) For the period ended 30 June 2018, the amount of amortization of intangible assets was RMB752,824,650.61 (2017: RMB 648,673,324.54).
- (d) During the period, Coastal Expressway was added due to business combination under common control. For details, please refer to Note VI.1.
- (e) During the period, the Group had capitalized borrowing costs on intangible assets amounting to RMB26,892,497.40 (2017: RMB7,546,407.49).

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

18. Deferred tax assets and deferred tax liabilities

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

Item	30 June 2018		31 December 2017	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provisions for maintenance and resurfacing of the toll roads (a)	150,167,498.48	37,541,874.62	152,216,310.00	38,054,077.50
Compensation provided by concession grantors (b)	70,466,766.80	17,616,691.70	72,323,501.88	18,080,875.47
Deductible tax losses (c)	8,644,816.44	2,161,204.11	111,656,857.08	27,914,214.27
Operating compensation of newly built gates of Meiguan Expressway (d)	114,453,436.12	28,613,359.03	120,993,632.44	30,248,408.11
Fair value adjustments arising from business combination not under common control (e)	210,061,200.64	52,515,300.16	221,702,314.88	55,425,578.72
Payroll accrued but not paid	11,358,255.00	2,839,563.75	11,682,767.00	2,920,691.75
Foreign exchange swap (f)	61,206,132.42	15,301,533.10	71,371,857.32	17,842,964.33
Guizhou Land's advance payment of prepaid income tax (g)	15,367,626.00	3,841,906.50	26,667,443.08	6,666,860.77
The significant financing component of Guizhou Land's advance payment (h)	7,711,775.00	1,927,943.75	-	-
Interest receivable from the United Land Company's capital reduction (i)	12,159,879.68	3,039,969.92	-	-
Other	2,928,886.52	732,221.63	3,275,415.92	818,853.98
Total	664,526,273.10	166,131,568.27	791,890,099.60	197,972,524.90

Shenzhen Expressway Company Limited

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For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

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

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

- (a) The deferred tax asset was recognized based on the temporary difference generated between the tax base and book value for provisions for maintenance/resurfacing obligations of toll roads.
- (b) The deferred tax asset was recognized based on the temporary difference generated between the tax base and book value of compensation provided by concession grantors in prior years.
- (c) The Group has forecasted the future operating income and profit status of Guangdong Qinglian Highway Development Co., Ltd. ("Qinglian Company"), and on this basis, it predicts whether Qinglian Company will make up for the deductible losses incurred in previous years in the coming years, and therefore the deferred tax assets were recognized for the temporary differences in the estimated deductible losses.
- (d) In 2015, the Group received a prepayment from the Shenzhen Government for compensation for the toll adjustment of Meiguan Expressway, and recognized the differences between the tax base and book value as deferred tax assets.
- (e) When the Company acquired the Shenchang Company and confirmed the fair value of its identifiable assets and liabilities, it recognized the corresponding deferred tax assets for the temporary difference formed between the tax base and the book value.
- (f) The original foreign exchange swap contracts signed with China Merchants Bank and China Citic Bank expired on 27 July 2017 and on 31 July 2017 respectively. After that, the company signed a USD 50,000,000.00 foreign exchange swap contract with China Merchants Bank and a USD 50,000,000.00 foreign exchange cap swap contract. And it signed a USD 50,000,000.00 foreign exchange swap contract with CITIC Bank. In addition, it signed a USD 50,000,000.00 foreign exchange forward and foreign exchange capped forward of USD 100,000,000.00 with Bank of China. In the current period, gains on changes in fair value of the financial instruments were RMB 10,165,724.90, the corresponding deferred tax assets amounting to RMB 2,541,431.23 were settled.
- (g) According to the requirements of Guo Shui Fa [2009] No. 31, Guizhou Land pre-paid income tax on the estimated gross profit calculated based on the estimated tax rate of advances from sales of unfinished development products, and recognized the differences between the tax bases and book values as deferred tax assets.
- (h) According to "ASBE No. 14 – Revenue", Guizhou Land recognized the impact of the financing component and accrues the interest expense on the contract between the customer's payment and the promised transfer of ownership of the property or service for more than one year, and the deferred income tax asset is recognized accordingly.
- (i) In this period, the United Land Company of the Company will capitalize the interest of the capital reduction of the headquarters. The Company recognizes the corresponding deferred income tax assets based on its shareholding ratio of 49% formed by the difference between the tax base and the book value.

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Notes to financial statements

For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

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

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

Item	30 June 2018		31 December 2017	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
The amortisation of concession intangible assets (a)	595,883,498.12	148,970,874.53	605,714,766.44	151,428,691.61
Business combinations involving enterprises not under common control (b)				
- Qinglian Company	637,414,618.63	156,048,847.74	648,963,835.58	158,936,151.99
- Airport-Heao Eastern Company	1,029,975,022.44	257,493,757.61	1,103,303,399.16	275,825,851.79
- Qinglong Company	2,455,881,215.24	613,970,303.81	2,571,231,029.36	642,807,757.34
- JEL Company	299,176,231.00	74,658,224.21	351,983,242.55	87,859,977.09
- Meiguan Company	21,243,470.84	3,290,527.03	22,703,678.72	3,655,579.00
- Yichang Company	1,080,681,578.44	270,170,394.61	1,108,216,369.76	277,054,092.44
Property compensation of Meiguan (c)	174,725,745.00	43,681,436.25	-	-
Added assessment value of financial assets (d)	55,952,830.22	13,988,207.56	-	-
Total	6,350,934,209.93	1,582,272,573.35	6,412,116,321.57	1,597,568,101.26

- (a) The deferred tax liability was recognized based on the temporary difference generated between the tax base (straight-line basis) and accounting base (traffic volume basis) for the amortisation of toll road concession intangible assets.
- (b) When the Company acquired equity interests of Qinglian Company, Airport-Heao Eastern Company, Qinglong Company, JEL Company, Meiguan Company and Yichang Company, deferred tax liabilities were recognized on temporary differences between the fair values and book values of respective identifiable assets and liabilities acquired.
- (c) Meiguan Company recognized the future reverted property compensation granted by the joint land acquisition as non-current assets in the current period, and confirmed the corresponding deferred income tax liabilities for the temporary difference arising therefrom.
- (d) According to "ASBE No. 22-Identification and measurement of financial instruments", the Company recognized the deferred tax liabilities based on the temporary difference generated by the added assessment value of stock right of United Electronic Company and Shenzhen Water Planning & Design Institute Co., Ltd held by the Company.

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Notes to financial statements

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(All amounts in RMB unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

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

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

Item	Deferred tax assets and liabilities offset as at 30 June 2018	Net values of deferred tax assets/liabilities as at 30 June 2018	Deferred tax assets and liabilities offset as at 31 December 2017	Net values of deferred tax assets/liabilities as at 31 December 2017
Deferred tax assets	-68,645,569.10	97,485,999.17	-59,953,594.49	138,018,930.41
Deferred tax liabilities	68,645,569.10	1,513,627,004.25	59,953,594.49	1,537,614,506.77

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

Item	30 June 2018	31 December 2017
Deductible tax losses	1,894,337,102.61	1,761,346,991.51
Deductible temporary difference	1,437,029,421.31	1,558,979,399.49
Total	3,331,366,523.92	3,320,326,391.00

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

Year	30 June 2018	31 December 2017
Year 2018	181,594,085.46	182,251,714.79
Year 2019	441,999,894.54	441,999,894.54
Year 2020	406,315,244.29	406,315,244.29
Year 2021	380,503,631.21	380,503,631.21
Year 2022	350,081,138.11	350,081,138.11
Year 2023	133,647,822.11	-
Total	1,894,141,815.72	1,761,151,622.94

19. Other non-current assets

Item	30 June 2018	31 December 2017
United land relocation property compensation	342,599,500.00	-
Total	342,599,500.00	-

According to the "Compensation Agreement for Meilinguan Urban Renewal Project of Shenzhen Longhua New District Minzhi Office", In July 2016, United Land Company paid the compensation for demolition of RMB28,328,230.00 to Meiguan Company, a subsidiary of the Company. Based on the principle of "reasonable, legal and fair" compensation, on 27 April 2018, the two parties signed a supplementary agreement, stipulating that the joint land will increase the monetary compensation for the demolition of Meilinguan block held by Meiguan Company. The property will be relocated and the property will be built 2-3 years later. After reassessing the evaluation report issued by Shenzhen Pengxin Assets Appraisal Co., Ltd. (Pengxin Consulting Newspaper [2018] No. 216), Meiguan Company will enjoy the value of the relocated property in the future of RMB456,000,000.00, equivalent to 9,120 square meters of relocation office space. On the date of signing the supplementary agreement, the fair value of the relocated property was RMB342,599,500.00.

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For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

20. Provision for impairment of assets

30 June 2018

Item	31 December 2017	Additions	Reductions	30 June 2018
Provision for impairment of concession intangible assets(a)	3,258,235,294.61	-	-	3,258,235,294.61
Provision for bad debts	450,000.00	-	-	450,000.00
Other provision for bad debts	-	14,115.84	14,115.84	-
Total	3,258,685,294.61	14,115.84	14,115.84	3,258,685,294.61

31 December 2017

Item	31 December 2016	Additions	Reductions	31 December 2017
Provision for impairment of concession intangible assets(a)	3,258,235,294.61	-	-	3,258,235,294.61
Provision for bad debts	-	450,000.00	-	450,000.00
Total	3,258,235,294.61	450,000.00	-	3,258,685,294.61

(a) Please refer to Note V.17(a).

21. Short-term borrowings

Item	30 June 2018	31 December 2017
Pledged (1)	458,396,642.20	1,118,256,000.00
Credit (2)	1,070,000,000.00	1,400,000,000.00
Total	1,528,396,642.20	2,518,256,000.00

(1) On 30 June 2018, the interest rate on the loan of RMB220,000,000.00 was the benchmark one-year loan interest rate, and the pledge of the loan was the operating right of Shuiguan Expressway; the interest rate on the remaining loan of RMB238,396,642.20 was 0.8% plus HIBOR (1 month) on the fourth day of every month, with the pledge on 45% share in JEL.

(2) On 30 June 2018, the interest rate on the loan of RMB270,000,000.00 was the benchmark one-year loan interest rate ; the interest rate on the loan of RMB650,000,000.00 was 3.915%; and the interest rate on the remaining loan of RMB150,000,000.00 was 3%.

As at 30 June 2018, the Company had no overdue loans.

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

22. Financial liabilities measured at fair value through profit or loss (Only applicable in 2017)

Item	31 December 2017
Transactional financial liabilities	71,371,857.30
Including: derivative financial liabilities	71,371,857.30
Total	71,371,857.30

23. Transactional financial liabilities (Only applicable in 2018)

Item	30 June 2018
Transactional financial liabilities	61,206,132.40
Including: derivative financial liabilities	61,206,132.40
Total	61,206,132.40

The derivative financial assets/liabilities measured at fair value through profit or loss are foreign exchange swap and foreign exchange forward contracts. On 18 July 2016, the Company issued a 5-year long-term bonds whose face value was 300,000,000.00 United States Dollar ("USD"). On 27 July 2016, the Company signed USD155,000,000.00 and a USD140,000,000.00 foreign exchange swaps with China Merchants Bank and CITIC Bank, which matured on 27 July 2017 and 31 July 2017 respectively. On 27 July 2017, the company signed a USD50,000,000.00 foreign exchange swap contract with China Merchants Bank and a USD50,000,000.00 foreign exchange cap swap contract, both of which will expire on 27 July 2018. On 31 July 2017, it signed a USD50,000,000.00 foreign exchange swap contract that expired on 31 July 2018 with CITIC Bank. On 25 July 2017, the Company signed a USD50,000,000.00 foreign exchange forward and foreign exchange capped forward of USD100,000,000.00 due to maturity on 25 July 2018 with Bank of China. In the current period, the above-mentioned derivative financial instruments have a fair value change gain of RMB10,165,724.90 (the same period in 2017: a loss of RMB 61,180,352.34) (Note V.45).

On 31 December 2017, the fair value of the foreign exchange swap and foreign exchange forward contract was RMB71,371,857.30, which was recorded in the "financial liabilities measured at fair value through profit or loss".

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

24. Accounts payable

Accounts payable are interest free which will be paid within one year in general. And accounts payable with aging over 1 year are mainly payables for construction projects which will be settled after settlement.

(1) Analysis of accounts payable

Item	30 June 2018	31 December 2017
Payables for construction projects and quality deposits	500,409,515.27	639,741,926.30
Others	49,942,496.33	37,510,908.63
Total	550,352,011.60	677,252,834.93

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

Item	30 June 2018	Reason for unsettlement
Wuchuan Heavy Construction Co., Ltd	8,428,320.00	Project settlement has not been completed
Hubei Zhongjiao Railway and Bridge Supervision Consulting Co., Ltd	7,508,625.00	Project settlement has not been completed
Jiangxi Tongwei Highway Construction Group Co., Ltd	7,361,016.71	Project settlement has not been completed
Beijing Huatong Highway and Bridge Supervision Consulting Co., Ltd	6,661,766.00	Project settlement has not been completed
Qingyuan Municipal Bureau of Land and Resources	5,882,280.00	Project settlement has not been completed
Total	35,842,007.71	/

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

	30 June 2018	31 December 2017
Within 1 month	66,942,317.30	104,294,549.33
1 to 2 months	13,397,120.98	5,713,972.25
2 to 3 months	5,685,316.28	1,985,070.63
3 months to 1 year	58,999,728.31	114,039,258.18
Over 1 year	405,327,528.73	451,219,984.54
Total	550,352,011.60	677,252,834.93

Shenzhen Expressway Company Limited

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For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

25. Advances from customers

(1) General information of advances from customers

Item	30 June 2018	31 December 2017
Advances from sales of real estates	-	456,303,129.00
Advances from advertising customers	-	8,457,739.39
Others	-	1,023,009.81
Total	-	465,783,878.20

26. Contract liabilities

(1) General information of advances from customers

Item	1 January 2018	Current period additions	Carried forward revenue	Other changes	30 June 2018
Advances from sales of real estates	-	719,661,401.62	116,189,910.20	-	603,471,491.42
Advances from advertising customers	-	34,296,234.27	41,167,124.44	12,833,023.99	5,962,133.82
Advances from agent-construction fee of Outer Ring Project	-	11,403,999.89	-	-	11,403,999.89
Others	-	1,399,126.24	620,181.90	-	778,944.34
Total	-	766,150,081.38	157,366,535.90	12,833,023.99	621,616,569.47

On 30 June 2018, the contract liabilities aged over 1 year were RMB640,132.70. The balance of the contract liabilities through sales of completed properties held-for-sale of Phase II Stage I and Stage II were RMB571,073,707.42 and RMB32,397,784.00.

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

27. Employee benefits payable

(1) Analysis of employee benefits payable

30 June 2018

Item	31 December 2017	Current period additions	Current period reductions	30 June 2018
I. Short-term wages	167,642,617.23	189,474,768.29	312,241,390.09	44,875,995.43
II. Pension benefits - defined contribution plans	1,179,415.02	22,544,477.64	21,484,441.15	2,239,451.51
Total	168,822,032.25	212,019,245.93	333,725,831.24	47,115,446.94

31 December 2017

Item	31 December 2016	Current period additions	Current period reductions	31 December 2017
I. Short-term wages	114,153,631.89	520,627,813.80	467,138,828.46	167,642,617.23
II. Pension benefits - defined contribution plans	195,609.88	42,314,133.44	41,330,328.30	1,179,415.02
Total	114,349,241.77	562,941,947.24	508,469,156.76	168,822,032.25

(2) Analysis of short-term wages

30 June 2018

Item	31 December 2017	Current period additions	Current period reductions	30 June 2018
I. Wages and salaries, bonuses, allowances and subsidies	159,652,011.10	140,858,583.15	261,718,332.18	38,792,262.07
II. Staff welfare	683,247.79	21,429,785.22	21,375,531.00	737,502.01
III. Social security contributions	371,523.98	9,136,878.40	9,198,523.41	309,878.97
Including: Medical insurance	312,081.18	7,675,003.30	7,726,785.28	260,299.20
Work injury insurance	19,450.33	478,341.46	481,568.75	16,223.04
Maternity insurance	39,992.47	983,533.64	990,169.38	33,356.73
IV. Housing funds	339,519.95	12,366,324.81	12,547,060.81	158,783.95
V. Labor union funds and employee education funds	5,939,362.19	4,275,562.57	5,388,918.23	4,826,006.53
VI. Others	656,952.22	1,407,634.14	2,013,024.46	51,561.90
Total	167,642,617.23	189,474,768.29	312,241,390.09	44,875,995.43

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

27. Employee benefits payable (continued)

(2) Analysis of short-term wages (continued)

31 December 2017

Item	31 December 2016	Current period additions	Current period reductions	31 December 2017
I. Wages and salaries, bonuses, allowances and subsidies	108,573,862.02	427,157,384.32	376,079,235.24	159,652,011.10
II. Staff welfare	346,087.24	39,785,056.21	39,447,895.66	683,247.79
III. Social security contributions	45,838.62	16,544,572.97	16,218,887.61	371,523.98
Including: Medical insurance	38,504.57	13,834,650.95	13,561,074.34	312,081.18
Work injury insurance	2,399.78	900,790.40	883,739.85	19,450.33
Maternity insurance	4,934.27	1,809,131.62	1,774,073.42	39,992.47
IV. Housing funds	-	22,950,974.79	22,611,454.84	339,519.95
V. Labor union funds and employee education funds	4,463,686.02	10,413,205.85	8,937,529.68	5,939,362.19
VI. Others	724,157.99	3,776,619.66	3,843,825.43	656,952.22
Total	114,153,631.89	520,627,813.80	467,138,828.46	167,642,617.23

(3) Analysis of defined contribution plans

30 June 2018

Item	31 December 2017	Current period additions	Current period reductions	30 June 2018
I. Basic pensions	677,363.59	16,658,383.00	16,770,774.36	564,972.23
II. Unemployment insurance	14,046.14	345,436.50	347,767.10	11,715.54
III. Enterprise annuities	488,005.29	5,540,658.14	4,365,899.69	1,662,763.74
Total	1,179,415.02	22,544,477.64	21,484,441.15	2,239,451.51

31 December 2017

Item	31 December 2016	Current period additions	Current period reductions	31 December 2017
I. Basic pensions	83,573.11	31,493,730.00	30,899,939.52	677,363.59
II. Unemployment insurance	1,733.01	682,881.19	670,568.06	14,046.14
III. Enterprise annuities	110,303.76	10,137,522.25	9,759,820.72	488,005.29
Total	195,609.88	42,314,133.44	41,330,328.30	1,179,415.02

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

28. Taxes payable

Item	30 June 2018	31 December 2017
Corporate income tax payable	134,701,399.95	207,993,351.97
VAT payable	28,142,483.42	29,917,364.31
City maintenance and construction tax payable	2,235,854.37	2,059,102.28
Educational surcharge payable	955,036.68	1,003,218.66
Land appreciation tax	6,012,157.09	-
Others	5,554,342.91	4,846,901.82
Total	177,601,274.42	245,819,939.04

29. Other payables

(1) Analysis of other payables by nature

Item	30 June 2018	31 December 2017
Project funds retained for construction management contracts (a)	2,391,139,882.06	2,324,341,296.01
Payable related to maintenance for roads	161,257,123.04	193,471,945.76
Payable related to costs of construction projects independently	139,615,305.62	139,615,305.62
Payable for tender and performance deposit and warranty	95,961,165.17	67,200,827.85
Payables due to associates	44,946,531.79	44,946,531.79
Refunded Meiguan reconstruction and expansion government compensation payable	33,249,357.80	33,249,357.80
Country road construction fee of Hunan Province	32,317,456.24	29,658,219.22
Equity deposit payable to Guizhou Wanjin Co., Ltd (Guizhou Wanjin Company)	29,968,000.00	29,968,000.00
Advance project expenditure and administrative special expenses	28,870,469.11	45,385,238.01
Payables for acquisition of Fameluxe Investment	26,000,000.00	26,000,000.00
Payable for agent-construction fee of Coastal Project Phase II	19,378,599.38	19,378,599.38
Mechanical and electrical costs payable	12,909,008.77	29,660,035.93
Subscription funds and down deposits received for real estate sales	1,970,000.00	2,320,000.00
Dividends payable (b)	231,868,009.57	-
Interest payable (c)	110,844,128.97	73,582,698.51
Others	18,972,848.11	15,932,503.99
Total	3,379,267,885.63	3,074,710,559.87

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

29. Other payables (continued)

(1) Analysis of other payables by nature (continued)

(b) The Company was entrusted by the Shenzhen Government for the management of the construction of highway projects. The projects are funded by the Shenzhen Government. The Company follows the arrangement of the entrusted contract to pay for the construction. According to the entrusted contract, the Company was required to set up a special deposit account to settle the payment. As at 30 June 2018, project funds retained in the special deposit account amounting to RMB2,391,139,882.06 (31 December 2017: RMB2,324,341,296.01) were classified as a deposit in the special account of entrusted construction management and disclosed as restricted bank balance in the cash flow statement.

(c) Please refer to Note V.40.

(d) Interest payable

Item	30 June 2018	31 December 2017
Interest on corporate bonds	65,528,236.56	43,850,747.27
Interest on medium-term notes	32,541,959.67	14,766,070.95
Interest on short-term borrowings	1,527,057.71	2,522,302.71
Interest on long-term borrowings with interest payable in installment and principal payable upon maturity	11,246,875.03	12,443,577.58
Total	110,844,128.97	73,582,698.51

(2) Significant other payables with aging over 1 year

Item	30 June 2018	Reason for unsettlement
GZ W2 Company	40,750,000.00	Dividend has been received but the dividend distribution plan has not been passed
Guizhou Wanjin Company	29,968,000.00	Contract settlement has not been completed.
Hetai Investment Company	26,000,000.00	Contract settlement has not been completed.
Shandong Provincial Highway and Bridge Group Co., Ltd.	4,548,514.97	Contract settlement has not been completed.
Nanjing Third Bridge Company	4,196,531.79	Dividend has been received but the dividend distribution plan has not been passed
Total	105,463,046.76	/

30. Current portion of non-current liabilities

Item	30 June 2018	31 December 2017
Compensations related to the toll adjustment of Three Expressways and the freight subsidy of Coastal Expressway due within one year (Note V.35)	348,999,119.94	475,940,400.00
Current portion of non-current borrowings (Note V.31(1))	488,288,016.64	201,970,523.22
Including: Pledged loan	454,515,289.37	191,925,068.67
Credit loan	33,772,727.27	10,045,454.55
Current portion of provisions (Note V.33)	15,435,584.90	15,435,584.90
Current portion of non-current bonds (Note V.32(1))	899,821,873.26	898,753,113.06
Total	1,752,544,594.74	1,592,099,621.18

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Notes to financial statements

For the six months ended 30 June 2018

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V. Notes to the consolidated financial statements (continued)

31. Long-term borrowings

(1) Analysis of long-term borrowings

Item	30 June 2018	31 December 2017
Pledged	9,671,352,325.87	8,849,314,860.20
Credit	849,000,000.00	850,000,000.00
Less: Current portion	488,288,016.64	201,970,523.22
Total	10,032,064,309.23	9,497,344,336.98

(a) As at 30 December 2018, the Group's borrowings were repayable as follows:

Item	30 June 2018	31 December 2017
Within 1 year	488,288,016.64	201,970,523.22
1 to 2 years	508,665,434.39	451,963,977.09
2 to 5 years	3,445,869,508.57	2,936,538,045.51
Over 5 years	6,077,529,366.27	6,108,842,314.38
Total	10,520,352,325.87	9,699,314,860.20

(b) As at 30 June 2018, details of the long-term borrowings are set out as follows:

Item	Interest rate in current year	Currency	Amount in RMB	Guarantee details
Syndicated borrowings of Qinglian	4.41%-4.90%	RMB	1,758,224,000.00	Operating rights of Qinglian Expressway
Syndicated borrowings of Yichang	4.90%-5.24%	RMB	1,274,828,940.75	Operating rights of Yichang Expressway
Syndicated borrowings of Outer Ring	4.41%	RMB	1,471,916,705.99	Operating rights of Outer Ring Expressway
Syndicated borrowings of Coastal Expressway	4.90%	RMB	4,566,382,679.13	Operating rights of Coastal Expressway
Pledged borrowings of Qinglong	4.99%	RMB	600,000,000.00	Operating rights of Shuiguan Expressway
Bank borrowings of Shenzhen Expressway	4.75%	RMB	849,000,000.00	Credit
Less: Current portion			488,288,016.64	
Total			10,032,064,309.23	

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2018

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V. Notes to the consolidated financial statements (continued)

32. Bonds payable

(1) Bonds payable

Item	31 June 2018	31 December 2017
Corporate bonds	2,760,661,161.97	2,732,092,797.02
Medium-term notes	899,821,873.26	898,753,113.06
Sub-total	3,660,483,035.23	3,630,845,910.08
Less: Current portion of long-term bonds	899,821,873.26	898,753,113.06
Total	2,760,661,161.97	2,732,092,797.02

(2) Movements of bonds payable

Name	Par value	Date of issuance	Maturity	Issued amount	Balance at 31 December 2017	Current period issued	Accrual of interest by par value	Discount and issue fee amortization	Exchange gains - net	Current period repaid	31 June 2018
Corporate bonds (a)	800,000,000.00	31 July 2007	15 years	800,000,000.00	796,937,628.95	-	22,000,002.00	334,076.82	-	-	797,271,705.77
Corporate bonds (a)	1,995,330,000.00	18 July 2016	5 years	1,984,555,218.00	1,935,155,168.07	-	27,484,496.89	3,514,288.13	24,720,000.00	-	1,963,389,456.20
Medium-term notes (b)	900,000,000.00	14 August 2015	3 years	900,000,000.00	898,753,113.06	-	17,775,888.72	1,068,760.20	-	-	899,821,873.26
Total	3,695,330,000.00	/	/	3,684,555,218.00	3,630,845,910.08	-	67,260,387.61	4,917,125.15	24,720,000.00	-	3,660,483,035.23

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2018

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V. Notes to the consolidated financial statements (continued)

32. Bonds payable (continued)

(2) Movements of bonds payable (continued)

(a) Corporate bonds

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

The Company held a shareholder's meeting on 19 May 2016 to consider and approve the issuance of debt financing instruments, and endowed the Board of Directors with the general license for issuance. On 18 July 2016, the Company issued a long-term bond with principal value of USD300 million. The bond issuance price was 99.46% of the principal value, bearing a term of 5 years and an interest rate of 2.875% per annum. Interest has begun to be accrued from 18 July 2016 and is repaid semi-annually. On 17 July 2021, the bond should be fully repaid upon maturity. The main purpose of the bond is to repay the bank loans and supplement the Group's operating capital.

(b) Medium term notes

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 an interest rate of 3.95% per annum with interest repayable annually and the principal repayable in full upon maturity on 18 August 2018.

33. Provisions

Item	30 June 2018	31 December 2017
Provisions for maintenance/ resurfacing obligations	150,167,498.49	152,216,309.99
Less: Current portion	15,435,584.90	15,435,584.90
Total	134,731,913.59	136,780,725.09

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V. Notes to the consolidated financial statements (continued)

34. Deferred income

30 June 2018

Item	31 December 2017	Current year addition	Current year reductions	30 June 2018	Explanation
Non-current liabilities					
Compensation to operating costs for Toll Free Section of Meiguan Expressway	120,993,632.44	-	6,540,196.32	114,453,436.12	Shenzhen Government compensation to the accrued operating costs for Toll Free Section of Meiguan Expressway in the future
Government compensation for demolition	21,975,911.10	-	1,373,494.44	20,602,416.66	Government compensation for demolition of Qinglong Company
Sub-total	142,969,543.54	-	7,913,690.76	135,055,852.78	
Current liabilities					
Government financial grants	2,688,148.48	247,170.00	57,763.72	2,877,554.76	Return of government financial grants provided from Guizhou Longli County Government to Guishen Company
Total	145,657,692.02	247,170.00	7,971,454.48	137,933,407.54	

31 December 2017

Item	31 December 2016	Current year addition	Current year reductions	31 December 2017	Explanation
Non-current liabilities					
Compensation to operating costs for Toll Free Section of Meiguan Expressway	134,074,025.09	-	13,080,392.65	120,993,632.44	Shenzhen Government compensation to the accrued operating costs for Toll Free Section of Meiguan Expressway in the future
Government compensation for demolition	24,722,899.98	-	2,746,988.88	21,975,911.10	Government compensation for demolition of Qinglong Company
Sub-total	158,796,925.07	-	15,827,381.53	142,969,543.54	
Current liabilities					
Government financial grants	2,646,278.06	209,982.30	168,111.88	2,688,148.48	Return of government financial grants provided from Guizhou Longli County Government to Guishen Company
Total	161,443,203.13	209,982.30	15,995,493.41	145,657,692.02	

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V. Notes to the consolidated financial statements (continued)

34. Deferred income (continued)

Items of government grants:

30 June 2018

Item	31 December 2017	Additional grants in current period	Recognized in non-operating income in current period	Other changes	30 June 2018	Related to assets/revenue
Government financial grants	2,688,148.48	247,170.00	57,763.72	-	2,877,554.76	Related to assets
Compensation for demolition	21,975,911.10	-	1,373,494.44	-	20,602,416.66	Related to assets
Total	24,664,059.58	247,170.00	1,431,258.16	-	23,479,971.42	/

31 December 2017

Item	31 December 2016	Additional grants in current period	Recognized in non-operating income in current period	Other changes	31 December 2017	Related to assets/revenue
Government financial grants	2,646,278.06	209,982.30	168,111.88	-	2,688,148.48	Related to assets
Compensation for demolition	24,722,899.98	-	2,746,988.88	-	21,975,911.10	Related to assets
Total	27,369,178.04	209,982.30	2,915,100.76	-	24,664,059.58	/

Shenzhen Expressway Company Limited

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(All amounts in RMB unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

35. Other non-current liabilities

Item	30 June 2018	31 December 2017
Compensations related to the toll adjustment of Three Expressways		
Acquisition of compensations related to the toll adjustment of Three Expressways (a)	6,588,000,000.00	6,588,000,000.00
Add: cumulative recognition of financial expense	767,525,800.00	630,840,400.00
Less: cumulative deduction of toll income containing tax	1,733,003,013.03	1,381,020,000.02
Balances of compensations related to the toll adjustment of Three Expressways	5,622,522,786.97	5,837,820,399.98
Less: current portion of compensations related to the toll adjustment of Three Expressways/Balances reclassified to other payables	260,642,786.97	475,940,400.00
Sub-Total	5,361,880,000.00	5,361,879,999.98
Compensations related to the freight subsidy of Coastal Expressway		
Acquisition of compensations related to the freight subsidy of Coastal Expressway (b)	302,000,000.00	-
Add: cumulative recognition of financial expense	8,124,542.75	-
Less: Tax	9,775,736.90	-
Less: cumulative deduction of toll income containing tax	33,841,442.84	-
Balances of compensations related to the freight subsidy of Coastal Expressway	266,507,363.01	-
Less: current portion of compensations related to the freight subsidy of Coastal Expressway	88,356,332.97	-
Sub-Total	178,151,030.04	-
Total	5,540,031,030.04	5,361,879,999.98

- (a) On 30 November 2015, the Company entered into an agreement with Shenzhen Transportation Bureau to arrange the compensation related to toll adjustment of Three Expressways. The first stage has started from 7 February 2016 and will end on 31 December 2018, lasting for two years, ten months and another twenty-four days. During this period, Shenzhen Transportation Bureau purchases the toll services of this section and gives a cash compensation for the toll fee exemptions caused by this purchase while the Company retains control and is responsible for the maintenance and resurfacing of the relevant toll roads. A third party professional traffic consultant will be appointed by the Company and Shenzhen Transportation Bureau to perform studies of the actual traffic volume under the corresponding toll road fee system. This consultant will also present the result by using the actual traffic volume which is adjusted and approved by both sides. The second stage will start from 1 January 2019 to the expiry date of Three Expressways. Before the expiration of the first stage, the company will jointly negotiate with Shenzhen Transportation Bureau for settlement of free method and compensation amount of the second stage. By choosing the first option, the operating method of the second stage is the same as the stage one, which means the toll fees exemption project will continue until the expiry date to the rights and interests in toll roads of the Three Expressways. By choosing the second option, the remaining rights and interests in toll roads of the Three Expressways will be taken back by Shenzhen Transportation Bureau and a one-off cash compensation will be made to the Company. Accordingly, Three Expressways toll road exemption scheme will be carried out in two stages starting midnight on 7 February 2016. Shenzhen Transportation Bureau is going to make cash compensation based on different options. On 29 January 2016, the arrangement has been examined and approved in the extraordinary general meeting held by the Company. As at 29 December 2015, the Company received the first compensation of RMB6,588,000,000.00 and financial expense amounting to RMB136,685,400.00 was recognized for the period ended 30 June 2018 (2017: RMB146,769,000.00).

Shenzhen Expressway Company Limited

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V. Notes to the consolidated financial statements (continued)

35. Other non-current liabilities (continued)

- (b) On 28 February 2018, Coastal Company and the Shenzhen Municipal Transportation Commission signed an agreement on freight compensation for the Shenzhen section of the Guangzhou-Shenzhen Coastal Expressway. The agreement stipulated that during the adjustment, the freight charges of the Shenzhen section of the Coastal Expressway will be charged at 50% of the standard, and the freight charge adjustment period starts from 0:00 on 1 March 2018 to 24:00 on 31 December 2020. On 31 March 2018, Coastal Company received the above compensation amount of RMB302 million, the financing expenses were not recognized in this amount. Financial expenses recognized in the current period were RMB8,124,542.75.

36. Share capital

30 June 2018	31 December 2017	Movement					30 June 2018
		New shares issued	Rights issue	Transfer from surplus	Others	Sub-total	
Total share capital	2,180,770,326.00	-	-	-	-	-	2,180,770,326.00

31 December 2017	31 December 2016	Movement					31 December 2017
		New shares issued	Rights issue	Transfer from surplus	Others	Sub-total	
Total share capital	2,180,770,326.00	-	-	-	-	-	2,180,770,326.00

37. Capital surplus

30 June 2018

Item	31 December 2017	Current period additions	Current period reductions	31 June 2018
Share premium	2,274,351,523.42	-	-	2,274,351,523.42
Other capital reserve- Business combination involving enterprise under common control	3,128,000,000.00	-	-	3,128,000,000.00
Other capital reserve- Acquisition of minority interests	-120,924,166.49	-	-	-120,924,166.49
Other capital reserve- Others (a)	1,567,564.50	7,415,304.35	949,117.79	8,033,751.06
Total	5,282,994,921.43	7,415,304.35	949,117.79	5,289,461,107.99

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V. Notes to the consolidated financial statements (continued)

37. Capital surplus (continued)

31 December 2017

Item	31 December 2016	Current period additions	Current period reductions	31 December 2017
Share premium	2,274,351,523.42	-	-	2,274,351,523.42
Other capital reserve- Business combination involving enterprise under common control	4,600,000,000.00	-	1,472,000,000.00	3,128,000,000.00
Other capital reserve- Acquisition of minority interests	-120,924,166.49	-	-	-120,924,166.49
Other capital reserve-Others	-2,279,838.32	16,465,915.52	12,618,512.70	1,567,564.50
Total	6,751,147,518.61	16,465,915.52	1,484,618,512.70	5,282,994,921.43

- (a) In the current period, the Group increased the capital reserve of RMB7,415,304.35 in the long-term equity investment of Guizhou Bank, please refer to Note V.13(3); the Group reduced the capital reserve of RMB949,117.79 in the long-term equity investment in Derun Environment, please refer to Note V.13(4).

38. Other comprehensive income

30 June 2018	31 December 2017	Amount incurred in current period		30 June 2018
		Pre-tax amount incurred in the current period	Post-tax amount attributable to owners of the Company	
Items that may be reclassified subsequently to profit or loss:	887,624,170.50	167,540.06	167,540.06	887,791,710.56
- Appreciation of initial equity interest upon business combination	893,132,218.74	-	-	893,132,218.74
- Equity investment reserve	406,180.00	-	-	406,180.00
- Share of other comprehensive income from investees accounted for the equity method to be reclassified to profit or loss in the subsequent year (Notes V.13(3)(4))	-4,825,335.80	-253,890.81	-253,890.81	-5,079,226.61
- Foreign currency statement translation difference	-1,088,892.44	421,430.87	421,430.87	-667,461.57
Total other comprehensive income	887,624,170.50	167,540.06	167,540.06	887,791,710.56

31 December 2017	31 December 2016	Amount incurred in current period		31 December 2017
		Pre-tax amount incurred in the current period	Post-tax amount attributable to owners of the Company	
Items that may be reclassified subsequently to profit or loss:	894,501,191.30	-6,877,020.80	-6,877,020.80	887,624,170.50
- Appreciation of initial equity interest upon business combination	893,132,218.74	-	-	893,132,218.74
- Equity investment reserve	406,180.00	-	-	406,180.00
- Share of other comprehensive income from investees accounted for the equity method to be reclassified to profit or loss in the subsequent year	-	-4,825,335.80	-4,825,335.80	-4,825,335.80
- Foreign currency statement translation difference	962,792.56	-2,051,685.00	-2,051,685.00	-1,088,892.44
Total other comprehensive income	894,501,191.30	-6,877,020.80	-6,877,020.80	887,624,170.50

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For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

39. Surplus reserve

30 June 2018	31 December 2017	Current period additions	Current period reductions	30 June 2018
Statutory surplus reserve	1,685,223,593.83	-	-	1,685,223,593.83
Discretionary surplus reserve	453,391,330.06	-	-	453,391,330.06
Total	2,138,614,923.89	-	-	2,138,614,923.89

31 December 2017	31 December 2016	Current year additions	Current year reductions	31 December 2017
Statutory surplus reserve	1,577,817,102.75	107,406,491.08	-	1,685,223,593.83
Discretionary surplus reserve	453,391,330.06	-	-	453,391,330.06
Total	2,031,208,432.81	107,406,491.08	-	2,138,614,923.89

In accordance with the Company Law of the People's Republic of China, the Company's Articles of Association and the resolution of the Board of Directors, companies should appropriate 10% of the net profit for the year to the statutory surplus reserve, where the appropriation can cease when the statutory surplus reserve reaches 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase capital after approval from the appropriate authorities. According to a resolution passed by the Board of Directors, the Company did not appropriate any statutory surplus reserve for the six months ended 30 June 2018 (2017: RMB107,406,491.08) to the statutory surplus reserve.

The Company appropriates the discretionary surplus reserve after the shareholders' meeting approves the proposal from the Board of Directors. The discretionary surplus reserve can be used to make up for the loss or increase capital after approval from the appropriate authorities. The Company did not appropriate any discretionary surplus reserve for the six months ended 30 June 2018 (the same period in 2017: Nil).

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For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

40. Undistributed profits

Item	30 June 2018	31 December 2017
Unadjusted balance of undistributed profit at the end of the last financial year	6,256,075,328.76	5,416,848,490.55
Business combination involving enterprises under common control	-3,113,068,776.71	-3,070,654,465.11
Sub-total	3,143,006,552.05	2,346,194,025.44
Changes in accounting policies	38,476,512.20	-
Adjusted opening balance of undistributed profits	3,181,483,064.25	2,346,194,025.44
Add: Net profit attributable to equity holders of the Company in current period/year	968,653,293.65	1,383,988,489.41
Less: Appropriation for statutory surplus reserve	-	107,406,491.08
Dividends	654,231,097.80	479,769,471.72
Undistributed profits at the end of the year	3,495,905,260.10	5,416,848,490.55

Adjustments: For the six months ended 30 June 2018, retrospective adjustments due to changes in accounting policies affected the undistributed profit at the beginning of the year of RMB 38,476,512.20 (31 December 2017: Nil); the changes in the scope of consolidation due to business combination under the common control drove the undistributed profit at the beginning of the year to change by RMB-3,113,068,776.71 (31 December 2017: RMB-3,070,654,465.11).

In accordance with the resolution passed in the Annual General meeting on 31 May 2018, the Company proposed a cash dividend to all shareholders amounting to RMB654,231,097.80, which was calculated by reference to the 2,180,770,326 shares issued and a dividend of RMB0.30 per share. The aforementioned earning distribution contained 1,433,270,326 shares of A shares were distributed dividends amounting to RMB429,981,097.80 and 747,500,000 shares of H shares were distributed dividends amounting to HK\$275,018,395.88 (equivalent to RMB224,250,000.00). The dividend accounted for 47% of the Company's 2017 net profit. As of 30 June 2018, the Company has paid cash dividends of RMB 429,981,097.80 to shareholders of A shares and the remaining cash dividends of H shares to HK\$275,018,395.88 (equivalent to RMB 231,868,009.57).

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For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

41. Revenue and cost of services

Item	For the six months ended 30 June 2018		For the six months ended 30 June 2017	
	Revenue	Cost	Revenue	Cost
Main business - toll road	2,462,484,827.14	1,164,462,427.98	2,152,108,773.70	1,036,223,099.91
Other services -				
Real estate development revenue	110,811,155.82	56,545,335.55	55,783,181.34	39,883,466.32
Management services revenue	44,519,266.83	22,188,379.02	20,400,299.30	12,543,622.09
Advertising services revenue	43,476,137.48	28,294,665.04	44,990,965.51	26,110,576.97
Others	16,231,376.09	11,369,684.48	17,007,419.16	8,585,401.33
Sub-total of other businesses	215,037,936.22	118,398,064.09	138,181,865.31	87,123,066.71
Total	2,677,522,763.36	1,282,860,492.07	2,290,290,639.01	1,123,346,166.62

42. Tax and surcharges

Item	For the six months ended 30 June 2018	For the six months ended 30 June 2017
City maintenance and construction tax	6,704,967.83	5,380,129.20
Educational surcharge	3,360,383.92	3,728,139.02
Land appreciation tax	8,883,929.63	-
Property tax	3,186,988.44	2,983,522.67
Stamp tax	65,777.90	3,349,137.68
Construction fee for culture development	853,814.33	1,220,228.66
Business tax	-	616,856.39
Others	1,603,495.06	138,916.58
Total	24,659,357.11	17,416,930.20

43. General and administrative expenses

Item	For the six months ended 30 June 2018	For the six months ended 30 June 2017
Salary and wages	21,965,195.65	21,252,389.35
Rental fees	5,129,929.76	3,557,634.68
Depreciation and amortization	3,311,295.27	3,152,591.89
Lawyers and advisory fees	1,979,208.46	3,364,420.08
Travel fees	1,890,060.07	1,732,162.48
Office building management fees	1,525,719.49	1,551,634.41
Office and communication charges	931,036.75	1,036,749.79
Vehicle fees	755,297.55	799,171.60
Stock exchange fees	409,840.66	649,904.48
Others	4,298,168.09	3,419,471.92
Total	42,195,751.75	40,516,130.68

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Notes to financial statements

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V. Notes to the consolidated financial statements (continued)

44. Financial expenses

Item	For the six months ended 30 June 2018	For the six months ended 30 June 2017
Interest expenses	511,949,103.71	429,511,996.32
Including: Interest expenses on borrowings	282,837,232.50	185,729,290.56
Interest expenses on bonds payable	72,177,512.76	93,437,108.09
Financing expense for adjustment of charges compensation	144,809,942.76	146,769,000.00
Other interest expense	12,124,415.69	3,576,597.67
Exchange gains or losses	45,150,444.75	-49,393,790.11
Less: Interest income	32,428,489.99	28,385,751.86
Less: Interest capitalized	29,710,653.40	8,027,685.06
Others	5,588,376.72	5,961,310.86
Total	500,548,781.79	349,666,080.15

In the current period, the Group's borrowing interest capitalization amount has been included in inventories and intangible assets. Please refer to Note V.5(2) and Note V.17(e) for relevant information.

The details of the interest income are listed as follows:

Item	For the six months ended 30 June 2018	For the six months ended 30 June 2017
Cash and cash equivalents	13,250,220.96	26,125,397.21
Long-term receivables	2,230,135.85	2,260,354.65
Other receivables	16,948,133.18	-
Total	32,428,489.99	28,385,751.86

45. Gains or losses from changes in fair value

Item	For the six months ended 30 June 2018	For the six months ended 30 June 2017
Transactional financial liabilities	10,165,724.90	-
Including: derivative financial instruments (Note V.23)	10,165,724.90	-
Financial liabilities measured at fair value through profit or loss	-	-61,180,352.34
Including: derivative financial instruments (Note V.23)	-	-61,180,352.34
Total	10,165,724.90	-61,180,352.34

46. Investment income

Item	For the six months ended 30 June 2018	For the six months ended 30 June 2017
Investment income from long-term equity investments in joint ventures under the equity method	-	7,079,749.78
Investment income from long-term equity investments in associates under the equity method (Note V.13)	285,283,369.01	204,424,627.88
Investment income from financial products	3,328,767.12	7,581,799.16
Investment income from revaluing the remaining equity at fair value after loss of control	-	27,504,389.73
Total	288,612,136.13	246,590,566.55

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For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

47. Gains or losses on disposal of assets

Item	For the six months ended 30 June 2018	For the six months ended 30 June 2017
Compensation for land expropriation loss on of Meiguan Expressway	174,725,745.00	-
Disposal of the right of using the land of Meiguan	7,620,000.00	-
Compensation for land expropriation from Pinghu street office	-	24,688,534.90
Others	-480,700.66	3,460.11
Total	181,865,044.34	24,691,995.01

48. Other income

Government grants related to daily activities are as follows:

Item	For the six months ended 30 June 2018	For the six months ended 30 June 2017	Asset / profit related
Government grants related to deferred income (Note V.34)	57,763.72	22,478.68	Asset related

49. Non-operating income

Item	For the six months ended 30 June 2018	For the six months ended 30 June 2017	Amount recorded as non-recurring profit or loss for the six months ended 30 June 2018
Government grants unrelated to daily activities (a)	5,617,002.44	1,821,627.62	5,617,002.44
Others	2,104,490.77	99,035.04	2,104,490.77
Total	7,721,493.21	1,920,662.66	7,721,493.21

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

Item	For the six months ended 30 June 2018	For the six months ended 30 June 2017	Asset / profit related
Government incentives (i)	4,243,508.00	448,133.18	Profit related
Government grants related to deferred income (ii)	1,373,494.44	1,373,494.44	Asset related
Total	5,617,002.44	1,821,627.62	

(i) In February 2018, Hubei Magerk Expressway Management Co., LTD received financial incentives of RMB600,000.00 from the government in Hongshan District Wuhan; Airport-Heao Eastern Company received incentives and compensation of RMB343,508.00 from Shenzhen Longgang District Bureau, for moving its registration in advance. In May 2018, the Yichang Company received the subsidiaries of RMB3,300,000.00.

(ii) The detailed information is set out in Note V.34.

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Notes to financial statements

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V. Notes to the consolidated financial statements (continued)

50. Non-operating expenses

Item	For the six months ended 30 June 2018	For the six months ended 30 June 2017	Amount recognized in non-recurring profit or loss for the six months ended 30 June 2018
The loss on damage or scrap of non-current assets	268,828.58	245,075.15	268,828.58
Donation	61,400.00	969,402.50	61,400.00
Others	539,422.10	211,217.40	539,422.10
Total	869,650.68	1,425,695.05	869,650.68

51. Income tax expenses

(1) Classification of income tax expense

Item	For the six months ended 30 June 2018	For the six months ended 30 June 2017
Income tax expense	265,190,604.92	252,824,378.63
Deferred income tax	2,557,221.16	-50,813,436.09
Total	267,747,826.08	202,010,942.54

(2) Income tax expense reconciliation from profit before tax

Item	For the six months ended 30 June 2018	For the six months ended 30 June 2017
Profit before tax	1,308,178,868.29	962,173,318.09
Income tax expenses calculated at the applicable tax rate	327,044,717.07	240,543,329.52
Lower tax rates enacted by a particular provincial or local authority	-	617,617.97
Effect of withholding tax on distributable profits of the Group's PRC subsidiaries	-	2,282,381.09
Income not subject to tax	-72,755,486.61	-61,438,512.63
Unrecognized tax losses in the current period	6,582,071.84	11,801,304.02
Use of unrecognized tax losses in previous periods	-48,821.72	-
Adjustment of income tax in the prior period	5,910,670.57	5,707,251.23
Expenses not deductible for tax purposes	1,014,674.93	2,497,571.34
Income tax expense calculated based on the effective tax rate of the Group	267,747,826.08	202,010,942.54

52. Notes to the consolidated statement of cash flow

(1) Cash received relating to other operating activities

Item	For the six months ended 30 June 2018	For the six months ended 30 June 2017
Received purchasing deposits of property under development	-	17,805,428.60
Others	18,671,852.17	16,892,856.01
Total	18,671,852.17	34,698,284.61

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Notes to financial statements

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V. Notes to the consolidated financial statements (continued)

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

(2) Cash paid relating to other operating activities

Item	For the six months ended 30 June 2018	For the six months ended 30 June 2017
Payment for further development of land	109,100,286.37	62,171,196.22
Management expenses	64,327,964.65	28,711,954.31
Cash advanced to Longli BT Project	3,268,840.00	21,348,712.70
Audit, valuation, legal and advisory fees paid	6,894,523.69	9,188,308.21
Expenses paid to stock exchanges	2,587,129.01	1,802,814.79
Warranty payment to China Railway 13 Bureau Group Co., LTD for adjustment to Freight Traffic Organization Project	-	11,668,616.60
Other operating expenses paid	37,383,677.38	29,024,103.86
Total	223,562,421.10	163,915,706.69

(3) Cash received relating to other investment activities

Item	For the six months ended 30 June 2018	For the six months ended 30 June 2017
Maturity redemption of financial products	300,000,000.00	1,950,000,000.00
Fund for equity bid intention	20,000,000.00	-
Interest income received	8,777,400.65	38,173,386.50
Others	-	6,111,641.85
Total	328,777,400.65	1,994,285,028.35

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

Item	For the six months ended 30 June 2018	For the six months ended 30 June 2017
Paid share subscription fee of Derun	-	4,415,582,466.80
Paid share subscription fee of Yichang	-	1,152,890,847.87
Paid to Water Planning and Design Institute due to capital increase	-	1,237,800.00
Cash and cash equivalents of Shenchang Company on acquisition date	-	-46,825,566.55
Total	-	5,522,885,548.12

(5) Cash paid relating to other investment activities

Item	For the six months ended 30 June 2018	For the six months ended 30 June 2017
Purchased financial products	300,000,000.00	1,400,000,000.00
Others	230,652.81	6,000,000.00
Total	300,230,652.81	1,406,000,000.00

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V. Notes to the consolidated financial statements (continued)

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

(6) Cash paid relating to other financing activities

Item	For the six months ended 30 June 2018	For the six months ended 30 June 2017
Return borrowings to minority shareholders	22,253,619.89	-
Deposit for the foreign exchange swap	8,000,000.00	-
Commission fee for issuing shares and bonds	230,000.00	2,072,500.00
Cash paid on purchasing non-controlling interests of subsidiary	-	333,498,800.00
Others	124,215.92	5,884,023.15
Total	30,607,835.81	341,455,323.15

53. Supplementary information to the consolidated statement of cash flows

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

Supplementary information	For the six months ended 30 June 2018	For the six months ended 30 June 2017
1. Reconciliation from net profit to cash flows from operating activities:		
Net profit	1,040,431,042.21	760,162,375.55
Depreciation of fixed assets	82,404,383.46	86,494,358.95
Amortisation of investment properties	287,870.20	287,850.00
Amortisation of intangible assets	752,824,650.61	652,644,875.94
Amortisation of long-term prepaid expenses	788,688.52	795,335.17
Net losses on disposal of fixed, intangible, and other long-term assets	-181,865,044.34	-24,691,995.01
Loss on change in fair value (profit is listed with "-")	-10,165,724.90	61,180,352.34
Financial expenses	494,960,405.07	343,704,769.29
Investment income	-288,612,136.13	-246,590,566.55
Impairment loss on assets	14,115.84	-
Decrease in deferred income tax assets	31,840,956.63	27,825,303.66
Decrease in deferred income tax liabilities	-29,283,735.47	-78,638,739.75
Increase in inventories	-296,947,409.13	-4,651,127.05
Decrease in operating receivables	227,464,639.49	73,050,495.33
Decrease in operating payables	-228,996,716.20	-336,214,934.19
Net cash flows from operating activities	1,595,145,985.86	1,315,358,353.68

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Notes to financial statements

For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

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

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

Supplementary information	For the six months ended 30 June 2018	For the six months ended 30 June 2017
2. Net change in cash		
Cash at the end of the period	2,146,917,760.01	2,026,102,055.20
Less: cash at the beginning of the period	1,884,570,222.49	4,464,187,614.55
Net increase in cash	262,347,537.52	-2,438,085,559.35

(2) Cash and cash equivalents

Item	For the six months ended 30 June 2018	For the six months ended 30 June 2017
Cash		
Including: Cash on hand	12,266,101.63	11,227,876.21
Cash at banks	2,134,651,658.38	1,873,342,346.28
Cash at the end of the period	2,146,917,760.01	1,884,570,222.49
Including: Restricted cash held by the Company and group companies (Note V.1)	2,402,826,383.20	2,375,125,239.77
Total cash at banks and on hand	4,549,744,143.21	4,259,695,462.26

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Notes to financial statements

For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

54. Assets with ownership or use right restricted

Item	For the six months ended 30 June 2018	For the six months ended 30 June 2017	Reason for restriction
Operating right of Qinglian Expressway	6,857,728,335.45	6,981,982,455.22	Note 1
Operating right of Shuiguan Expressway	3,582,245,609.77	3,747,150,068.38	Note 2
Operating right of Yichang Expressway	2,962,729,692.54	3,040,424,917.48	Note 3
Operating right of Outer Ring Expressway	1,248,155,872.82	926,564,764.56	Note 4
Operating right of Coastal Expressway	6,243,382,243.24	6,310,867,129.11	Note 5
The equity interest in Meiguan Company	808,324,694.79	526,221,279.42	Note 6
45% share in JEL	392,534,045.07	302,377,401.24	Note 7
Cash at banks and on hand	2,402,826,383.20	2,375,125,239.77	Note 8
Total	24,497,926,876.88	24,210,713,255.18	/

Note 1: On 30 June 2018, the operation right of Qinglian Expressway with a net carrying amount of RMB6,857,728,335.45 (31 December 2017: RMB6,981,982,455.22) was pledged to secure long-term bank loans granted to the Group. The pledged term will end on 6 January 2027.

Note 2: On 30 June 2018, the operation right of Shuiguan Expressway with a net carrying amount of RMB3,582,245,609.77 (31 December 2017: 3,747,150,068.38) was pledged to secure short-term bank loans granted to the Group. The pledged term will end on 6 May 2023.

Note 3: On 30 June 2018, the operation right of Yichang Expressway with a net carrying amount of RMB2,962,729,692.54 (31 December 2017: 3,040,424,917.48) was pledged to secure long-term bank loans granted to the Group. The pledged term will end on 15 December 2030.

Note 4: On 30 June 2018, the operation right of Outer Ring Expressway with a net carrying amount of RMB1,248,155,872.82 (31 December 2017: 926,564,764.56) was pledged to secure long-term bank loans granted to the Group. The pledged term will end on 14 March 2042.

Note 5: On 30 June 2018, the operation right of Coastal Expressway with a net carrying amount of RMB6,243,382,243.24 (31 December 2017: 6,310,867,129.11) was pledged to secure long-term bank loans granted to the Group. The pledged term will end on 9 November 2033.

Note 6: On 30 June 2018, the 100% equity of Meiguan Company with a net carrying amount of RMB808,324,694.79 (31 December 2017: RMB 526,221,279.42) was pledged to secure long-term bonds granted to the Group. The pledged term will end on 31 July 2022.

Note 7: On 30 June 2018, the 45% equity of JEL Company with a net carrying amount of RMB392,534,045.07 (31 December 2017: 302,377,401.24) was pledged to secure short-term bank loan granted to the Group. The pledged term will end on 6 April 2019.

Note 8: On 30 June 2018, cash and cash equivalents with a net carrying amount of RMB2,402,826,383.20 (31 December 2017: RMB2,375,125,239.77,) was restricted project funds retained for construction management. Please refer to Note V.1.

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V. Notes to the consolidated financial statements (continued)

55. Monetary items denominated in foreign currency

(1) Monetary items denominated in foreign currency

Item	30 June 2018			31 December 2017		
	Original amount	Exchange rate	Equivalent to RMB	Original amount	Exchange rate	Equivalent to RMB
Monetary capital						
HKD	6,633,843.08	0.8431	5,592,993.10	3,722,258.63	0.8359	3,111,473.21
USD	665,095.70	6.6166	4,400,672.20	678,950.69	6.5342	4,436,399.59
EUR	12.00	7.6515	91.82	257.00	7.8023	2,005.19
GBP	-	8.6551	-	30.00	8.7792	263.38
FRF	11.70	6.6350	77.63	11.70	1.0812	12.65
PTAS	445.96	0.0468	20.88	446.00	0.0468	20.88
JAY	380.55	0.0599	22.80	380.08	0.0579	22.00
Other receivables						
HKD	1,129,887.30	0.8431	952,607.98	1,738,344.22	0.8359	1,453,099.32
USD	-	6.6166	-	280.54	6.5342	1,833.13
Short-term borrowings						
HKD	282,762,000.00	0.8431	238,396,642.20	-	-	-
Employee benefits payable						
HKD	391,610.25	0.8431	330,166.60	12,890.94	0.8359	10,775.67
Other payables						
HKD	275,455,986.57	0.8431	232,236,942.28	-	-	-
USD	718,750.00	6.6166	4,755,681.25	3,905,208.33	6.5342	25,517,412.27
Bond payable						
USD	296,736,912.64	6.6166	1,963,389,456.20	296,157,933.35	6.5342	1,935,155,168.07

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V. Notes to the consolidated financial statements (continued)

56. Others

(1) Earnings per share

(a) Basic earnings per share

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

Item	For the six months ended 30 June 2018	For the six months ended 30 June 2017
Consolidated net profit attributable to ordinary shareholders of the Company	968,653,293.65	704,883,594.51
Weighted average number of ordinary shares outstanding	2,180,770,326.00	2,180,770,326.00
Basic earnings per share	0.444	0.323
Including: Basic earnings per share from continuing operations	0.444	0.323

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares outstanding. As there were no dilutive potential ordinary shares in 30 June 2018, diluted earnings per share was equal to basic earnings per share.

Shenzhen Expressway Company Limited

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(All amounts in RMB unless otherwise stated)

VI. Change in consolidation

1. Business combination involving enterprises under common control

(1) Business combination involving enterprises under common control in this period

On 11 December 2017, the Company and Shenzhen Investment Holdings Co., Ltd. (“Shenzhen Investment Holding Company”) signed the Equity Purchase Agreement to acquire 100% equity of Shenzhen Guangshen Coastal Expressway Investment Co., Ltd. (“Coastal Company”) at a consideration of RMB1.472 billion. Coastal Company was incorporated in Shenzhen on 1 December 2008 with a registered capital of RMB 4.6 billion. Shenzhen Investment Holding Company holds 100% of its equity, and Shenzhen Investment Holding Company is the controlling shareholder of Shenzhen International, the parent company of the Company. Since both parties before and after the combination are controlled by Shenzhen Investment Holding Company and the control is not temporary, the combination is a business combination under the common control. At the extraordinary general meeting held on 5 February 2018, Shenzhen International voted to approve a proposal by number of shares. The proposal is to approve, confirm and ratify the acquisition agreement signed by the Company, Shenzhen Investment Holding Company and Coastal Company on 11 December 2017 and the related transactions contemplated. The Company also convened an extraordinary general meeting on 8 February 2018 to consider and approve the proposal to acquire 100% interest in Guangshen Coastal Expressway (Shenzhen Section). Therefore, the combination date is determined to be 8 February 2018.

	From 1 January to 8 February 2018	From 1 January to 30 June 2017
Operating revenue	38,566,019.28	196,434,066.30
Net profit	1,008,184.59	-36,847,243.62
Net cash flows	28,313,998.65	-3,370,494.49

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VI. Change in consolidation (continued)

1. Business combination involving enterprises under common control (Continued)

Identifiable assets and liabilities of Coastal Company acquired on the combination date and 31 December 2017 are listed below:

	8 February 2018	31 December 2017
Cash at banks and on hand	1,688,527,085.21	1,738,429,633.31
Accounts receivable	7,221,269.58	7,800,455.34
Advances	1,043,942.50	68,721.00
Other receivable	1,360,327.25	1,327,501.09
Inventories	193,252.83	263,937.34
Fixed assets	197,522,638.39	199,455,291.78
Construction in progress	6,660,807.91	6,660,807.91
Intangible assets	6,299,909,354.91	6,310,867,129.11
Accounts payable	571,268,286.01	570,864,097.42
Employee benefits payable	3,917,017.72	4,798,713.23
Tax payable	1,402,802.99	1,624,265.86
Other payables	1,513,697,248.80	1,576,201,912.76
Current portion of non-current liabilities	96,447,623.17	96,447,623.17
Long-term borrowings	4,518,158,867.54	4,518,158,867.54
Deferred tax liabilities	9,607,424.47	9,846,773.61
Total	1,487,939,407.88	1,486,931,223.29
Combination difference (Included in the interest)	15,939,407.88	/
Combination considerations	1,472,000,000.00	/

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VII. Interests in other entities

1. Interests in subsidiaries

(1) Particulars of the Company's subsidiaries are as follows:

Name of subsidiaries	Place of main business	Place of registration	Nature of business and principal activities	Share capital	Equity interest (%)		Acquired through
					Direct	Indirect	
Outer Ring Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	RMB100,000,000.00	100%	-	Incorporation
Shenzhen Expressway Investment Company Limited ("Investment Company")	Guizhou Province, PRC	Shenzhen City, Guangdong Province, PRC	Investment	RMB400,000,000.00	95%	5%	Incorporation
Guishen Company	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Infrastructure construction	RMB500,000,000.00	-	70%	Incorporation
Guizhou Land Company	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	RMB158,000,000.00	-	70%	Incorporation
Guizhou Shengbo Land Company Limited ("Guizhou Shengbo Land Company")	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	RMB1,000,000.00	-	70%	Incorporation
Guizhou Yuelong Investment Company limited ("Guizhou Yuelong Company")	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	RMB1,000,000.00	-	70%	Incorporation
Shenzhen Expressway Property Management Company ("Property Company")	Longli County, Guizhou Province, PRC	Shenzhen City, Guangdong Province, PRC	Property management	RMB1,000,000.00	-	100%	Incorporation
Environment Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Environmental projects and advisory	RMB5,000,000,000.00	100%	-	Incorporation
JEL Company	Hubei Province, PRC	Cayman Islands	Investment holding	USD30,000,000.00	-	100%	Business combinations involving enterprises under common control
Hubei Magerk Expressway Management Co., LTD ("Magerk Company")	Hubei Province, PRC	Hubei Province, PRC	Toll road operation	USD28,000,000.00	-	100%	Business combinations involving enterprises under common control
Qinglian Company	Qingyuan City, Guangdong Province, PRC	Qingyuan City, Guangdong Province, PRC	Toll road operation	RMB3,361,000,000.00	51.37%	25%	Business combinations involving enterprises not under common control
Shenzhen Expressway Advertising Company ("Advertising Company")	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Advertising agency	RMB30,000,000.00	95%	5%	Business combinations involving enterprises not under common control
Meiguan Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	RMB332,400,000.00	100%	-	Business combinations involving enterprises not under common control
Mei Wah Company	Hubei Province and Guangdong Province, PRC	Hong Kong	Investment holding	RMB823,012,897.00	100%	-	Business combinations involving enterprises not under common control
Maxprofit Company	Guangdong Province, PRC	British Virgin Islands	Investment holding	USD85,360,000.00	-	100%	Business combinations involving enterprises not under common control
Airport-Heao Eastern Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	RMB440,000,000.00	100%	-	Business combinations involving enterprises not under common control
Hengfengxin Property Company Limited	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	RMB1,000,000.00	-	70%	Incorporation
Henghongda Property Company Limited	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	RMB1,000,000.00	-	70%	Incorporation
Fameluxe Company	Hong Kong	Hong Kong	Investment holding	HKD10,000.00	-	100%	Business combinations involving enterprises not under common control
Shenzhen Expressway Operation Development Co., LTD	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	RMB30,000,000.00	95%	5%	Incorporation
Qinglong Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	RMB324,000,000.00	40%	10%	Business combinations involving enterprises not under common control
Shenchang Company	Changsha City, Hunan Province, PRC	Changsha City, Hunan Province, PRC	Toll road operation	RMB200,000,000.00	51%	-	Business combinations involving enterprises not under common control
Yichang Company	Changde City, Hunan Province, PRC	Changde City, Hunan Province, PRC	Toll road operation	RMB345,000,000.00	100%	-	Business combinations involving enterprises not under common control
Construction and Development Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Infrastructure construction	RMB30,000,000.00	95%	5%	Incorporation
Guizhou Yehengda Company	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	RMB1,000,000.00	-	70%	Incorporation
Shenshan Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Environment protection construction	RMB500,000,000.00	51%	49%	Incorporation
Fund Management Company	Guangzhou City, Guangdong Province, PRC	Guangzhou City, Guangdong Province, PRC	Capital market services	RMB10,000,000.00	95%	5%	Incorporation
Coastal Company(a)	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	RMB4,600,000,000.00	100%	-	Business combinations involving enterprises under common control

(a) For details of Coastal Company, please refer to Note VI 1.

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VII. Interests in other entities (continued)

1. Interests in subsidiaries (continued)

(2) Significant partly-owned subsidiaries

30 June 2018

Name of subsidiaries	Equity interest held by minority interests	Net profit attributable to minority shareholders for the six months ended 30 June 2018	Dividend declared by subsidiaries to the minority shareholders for the six months ended 30 June 2018	Shareholder investment withdrawn	New business combination	Minority interests as at 30 June 2018
Qinglian Company	23.63%	16,365,456.91	-	-	-	640,045,085.94
Guishen Company	30.00%	6,730,748.67	-	-	-	229,327,529.66
Qinglong Company	50.00%	30,620,610.94	-33,983,929.32	-	-	1,136,534,817.54
Shenchang Company	49.00%	18,060,932.04	-	-22,253,619.89	-	164,624,831.13
Total	/	71,777,748.56	-33,983,929.32	-22,253,619.89	-	2,170,532,264.27

31 December 2017

Name of subsidiaries	Equity interest held by minority interests	Net profit attributable to minority shareholders for year 2017	Dividend declared by subsidiaries to the minority shareholders for year 2017	Shareholder investment withdrawn	New business combination	Minority interests as at 31 December 2017
Qinglian Company	23.63%	17,389,006.21	-	-	-	623,679,629.03
Guishen Company	30.00%	11,891,123.32	-	-	-	224,091,685.47
Qinglong Company	50.00%	66,110,922.75	-144,600,742.17	-	-	1,139,898,135.92
Shenchang Company	49.00%	24,207,495.84	-	-37,807,184.28	182,417,207.42	168,817,518.98
Total	/	119,598,548.12	-144,600,742.17	-37,807,184.28	182,417,207.42	2,156,486,969.40

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

Name of subsidiaries	30 June 2018					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Qinglian Company	87,791,804.44	7,102,038,600.05	7,189,830,404.49	237,134,377.28	4,247,144,553.52	4,484,278,930.80
Guishen Company	1,458,435,801.52	50,070,022.83	1,508,505,824.35	744,080,725.59	-	744,080,725.59
Qinglong Company	126,032,971.37	3,705,164,172.67	3,831,197,144.04	378,652,827.71	1,179,474,681.25	1,558,127,508.96
Shenchang Company(a)	59,858,616.99	306,768,284.77	366,626,901.76	30,834,797.47	-	30,834,797.47

Name of subsidiaries	31 December 2017					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Qinglian Company	119,583,635.74	7,269,239,753.21	7,388,823,388.95	222,571,252.00	4,529,297,780.94	4,751,869,032.94
Guishen Company	1,302,665,651.40	50,959,022.01	1,353,624,673.41	606,651,968.06	-	606,651,968.06
Qinglong Company	135,037,348.69	3,879,016,295.99	4,014,053,644.68	969,473,704.40	764,783,668.44	1,734,257,372.84
Shenchang Company(a)	61,596,838.63	322,081,145.46	383,677,984.09	39,329,373.99	-	39,329,373.99

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VII. Interests in other entities (continued)

1. Interests in subsidiaries (continued)

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

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

Name of subsidiaries	For the six months ended 30 June 2017			
	Revenue	Net (loss)/profit	Total comprehensive income	Net cash flows from operating activities
Qinglian Company	377,450,709.77	60,458,627.06	60,458,627.06	308,668,087.57
Guishen Company	55,783,181.34	2,614,028.13	2,614,028.13	133,319,770.98
Qinglong Company	310,781,588.37	63,453,157.31	63,453,157.31	184,536,216.16
Shenchang Company(a)	34,061,020.92	17,309,429.27	17,309,429.27	26,488,886.88

(a) As Shenchang Company became the Company's subsidiary on 1 April 2017, the comparative financial information for the previous period only includes the data from April to June.

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

As at 30 June 2018, there was no substantial restriction which prohibited the usage of assets or the settlement of liabilities of the Group (31 December 2017: Nil).

2. Interests in associates

Particulars of the Company's associates are as follows:

	Place of incorporation	Place of issue	Principal activities	Issued capital	Percentage of shares held by the Company (%)		Accounting method
					Direct	Indirect	
Consulting Company	Shenzhen City, Guangdong Province, China	Shenzhen City, Guangdong Province, China	Engineering consulting service	18,750,000.00	24	-	Equity method
Huayu Company	Shenzhen City, Guangdong Province, China	Shenzhen City, Guangdong Province, China	Toll road operation	150,000,000.00	40	-	Equity method
Jiangzhong Company	Guangdong Province, China	Guangzhou City, Guangdong Province, China	Toll road operation	1,110,000,000.00	25	-	Equity method
Nanjing Third Bridge Company	Nanjing City, Jiangsu Province, China	Nanjing City, Jiangsu Province, China	Toll road operation	1,080,000,000.00	25	-	Equity method
Yangmao Company	Guangdong Province, China	Guangzhou City, Guangdong Province, China	Toll road operation	200,000,000.00	25	-	Equity method
GZ W2 Company	Guangzhou City, Guangdong Province, China	Guangzhou City, Guangdong Province, China	Toll road operation	1,000,000,000.00	25	-	Equity method
Guangyun Company	Guangdong Province, China	Yunfu City, Guangdong Province, China	Toll road operation	10,000,000.00	30	-	Equity method
Guizhou Hengtongli	Longli County, Guizhou Province, China	Longli County, Guizhou Province, China	Real estate development	1,000,000.00	-	49	Equity method
United Land	Shenzhen City, Guangdong Province, China	Shenzhen City, Guangdong Province, China	Real estate development	5,000,000,000.00	49	-	Equity method
Bank of Guizhou	Guiyang City, Guizhou Province, China	Guiyang City, Guizhou Province, China	Financial service	12,388,045,232.77	3.44	-	Equity method
Derun Environment	Chongqing City, China	Chongqing City, China	Environment improvement and resources recovery	1,000,000,000.00	-	20	Equity method

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VII. Interests in other entities (continued)

2. Interests in associates (continued)

As at 30 June 2018, there was no substantial restriction on transferring funds between the Group and the joint ventures and associates (31 December 2017: Nil).

VIII. Financial instruments and risk

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

1. Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. The Group is exposed to foreign exchange risk arising from the recognised assets and liabilities, and future transactions denominated in foreign currencies (except for the long-term bond which denominated in USD, the Group's foreign currency assets, liabilities and transactions which mainly denominated in HKD). The Group's finance department at its headquarters is responsible for monitoring the amounts of assets and liabilities and transactions denominated in foreign currencies to mitigate foreign exchange risk.

The sensitivity of the Group's net profit due to the probably reasonable changes in the exchange rate, with the other variables remaining the same at the end of the reporting period, is as follows:

30 June 2018

	Exchange rate	Net profit or loss	Net income after other comprehensive income	Total shareholders' equity
	Increase /(Decrease is listed with "-")	Increase /(Decrease is listed with "-")	Increase /(Decrease is listed with "-")	Increase /(Decrease is listed with "-")
Depreciation of RMB against USD	10%	2,119,941.36	-	2,119,941.36
Appreciation of RMB against USD	-10%	-2,119,941.36	-	-2,119,941.36
Depreciation of RMB against HKD	10%	-34,831,361.25	-	-34,831,361.25
Appreciation of RMB against HKD	-10%	34,831,361.25	-	34,831,361.25

31 December 2017

	Exchange rate	Net profit or loss	Net income after other comprehensive income	Total shareholders' equity
	Increase /(Decrease is listed with "-")	Increase /(Decrease is listed with "-")	Increase /(Decrease is listed with "-")	Increase /(Decrease is listed with "-")
Depreciation of RMB against USD	10%	1,767,787.68	-	1,767,787.68
Appreciation of RMB against USD	-10%	-1,767,787.68	-	-1,767,787.68
Depreciation of RMB against HKD	10%	341,534.76	-	341,534.76
Appreciation of RMB against HKD	-10%	-341,534.76	-	-341,534.76

The Group pays attention to research on exchange rate risk management policies and strategies. To avoid the exchange rate risk of repayment of the principal and interest of bonds payable in USD, the Group entered into a forward foreign exchange contract with the bank. For details, please refer to Note V.23.

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VIII. Financial instruments and risk (continued)

2. Interest rate risk

The Group's interest rate risk mainly arises from interest-bearing long-term liabilities including long-term borrowings and short-term borrowings. Financial liabilities issued at floating rates exposed the Group to the risk of interest rate on cash flows. Financial liabilities issued at fixed rates exposed the Group to the risk of interest rate on fair value. The Group determines the relative proportions of its fixed rate and floating rate contracts based on the prevailing market conditions. As at 30 June 2018, the Group's long-term and short-term interest-bearing borrowings with floating rates amounted to RMB11,798,748,968.08 (31 December 2017: RMB10,519,314,860.20).

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

In the current period, if interest rates calculated on the floating rate of interest-bearing liabilities had risen/fallen by 50 basis points while all other variables were constant, the Group's net profit and shareholder's equity would have decreased/increased by approximately RMB21,418,837.14 (for the same period in 2017: approximately RMB17,174,945.44).

3. Credit risk

The Group expects that there is no significant credit risk. The maximal credit risk mainly arises from cash at banks, receivables and other receivables.

The table below shows the bank deposits of the major counterparties of the Group as at the end of the reporting period:

Item	30 June 2018	31 December 2017
State-owned banks	1,251,862,885.26	1,323,611,436.56
Other banks	3,285,615,156.32	2,924,856,149.49
Total	4,537,478,041.58	4,248,467,586.05

The Group expected that there is no significant credit risk or any other significant loss arising from breach of contracts associated with bank deposits at state-owned banks, which gain funding support from the government, and listed banks or commercial banks of medium or large size.

As at 30 June 2018, the Group's receivables due from the Shenzhen Government derived from entrusted management services, receivables due from government authorities in Guizhou Longli County relating to the Longli BT Project and Longli Resettlement (Phase II) Project and receivables due from Hunan Government relating to highway tolls were approximately RMB215 million (31 December 2017: RMB246 million) in aggregate. The directors of the Company considered that the related credit risks were controllable. The Group did not have other significant concentrations of credit risk arising from other customers.

Shenzhen Expressway Company Limited

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(All amounts in RMB unless otherwise stated)

VIII. Financial instruments and risk (continued)

4. Liquidity risk

Each subsidiary of the Group is responsible for its own cash flow forecast. The Group's finance department at its headquarters monitors the Group's short-term and long-term liquidity requirements based on the forecast from the subsidiaries to ensure that the Group has sufficient cash and securities that are readily convertible to cash. Meanwhile, the Group will continuously monitor whether the Group meets the capital condition required from the borrowing agreements, in order to continually borrow sufficient cash from major financial institutions to satisfy the short-term and long-term cash demand. The financial assets and liabilities of the Group as at the end of the reporting period are analysed by their maturity date below at their undiscounted contractual cash flows:

	30 June 2018				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial liabilities -					
Short-term borrowings	1,569,088,303.39	-	-	-	1,569,088,303.39
Transactional financial liabilities	61,206,132.40	-	-	-	61,206,132.40
Account payable	550,352,011.60	-	-	-	550,352,011.60
Other payables	3,379,267,885.39	-	-	-	3,379,267,885.39
Current portion of non-current liabilities (Note a)	1,737,109,009.83	-	-	-	1,737,109,009.83
Long-term borrowings	411,325,336.10	1,066,053,747.20	4,762,673,408.71	7,622,718,964.42	13,862,771,456.43
Bonds payable	101,367,937.50	101,367,937.50	2,997,673,425.44	-	3,200,409,300.44
Other non-current liabilities	5,476,163,333.33	59,516,423.50	64,235,000.00	-	5,599,914,757.83
Total	13,285,879,949.55	1,226,938,108.20	7,824,581,834.15	7,622,718,964.42	29,975,534,643.72

	31 December 2017				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial liabilities -					
Short-term borrowings	2,554,145,741.46	-	-	-	2,554,145,741.46
Financial liabilities measured at fair value through gain or loss	71,371,857.30	-	-	-	71,371,857.30
Accounts payable	677,252,834.93	-	-	-	677,252,834.93
Other payables	3,074,710,559.87	-	-	-	3,074,710,559.87
Current portion of non-current liabilities (Note a)	1,594,199,967.76	-	-	-	1,594,199,967.76
Long-term borrowings	400,827,577.87	839,765,987.90	4,165,875,525.78	7,970,119,028.46	13,376,588,120.01
Bonds payable	101,367,937.50	101,367,937.50	2,997,673,425.44	-	3,200,409,300.44
Other non-current liabilities	-	5,361,879,999.98	-	-	5,361,879,999.98
Total	8,473,876,476.69	6,303,013,925.38	7,163,548,951.22	7,970,119,028.46	29,910,558,381.75

Note a: Including the current portion of long-term borrowings, the current portion of bonds payable and the current portion of other non-current liabilities, excluding the current portion of provisions.

The Group obtains sufficient and steady operating cash flows and sufficient unutilised banking facilities, and the Group makes the appropriate financing arrangement to satisfy the need of repayment of debts and capital investments. As a result, the directors of the Company considered that there is no significant liquidity risk for the Company.

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VIII. Financial instruments and risk (continued)

5. Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, repurchase shares or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the period ended 30 June 2018 and the year ended 31 December 2017.

The Group monitors capital using debt-to-asset ratio, which is total liabilities divided by total assets. The Group's debt-to-asset ratio as at the end of the reporting period was as follows:

	31 June 2018	31 December 2017
Total assets	44,400,224,976.83	44,014,984,643.90
Total liabilities	28,237,149,384.02	28,225,486,780.63
Debt-to-asset ratio	63.60%	64.13%

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IX. Fair value disclosure

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole :

Level 1: Based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3: Based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

1. Financial assets and liabilities measured at fair value

30 June 2018

	Fair value measurement using			
	Quoted price in active markets	Significant observable inputs	Significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
Other non-current financial assets	-	162,510,000.00	-	162,510,000.00
Transactional financial liabilities	61,206,132.40	-	-	61,206,132.40
Total	61,206,132.40	162,510,000.00	-	223,716,132.40

31 December 2017

	Fair value measurement using			
	Quoted price in active markets	Significant observable inputs	Significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
Financial liabilities measured at fair value through profit or loss	71,371,857.30	-	-	71,371,857.30
Total	71,371,857.30	-	-	71,371,857.30

Non-listed Equity instrument investment uses market method to estimate the fair value. The Group believes that the fair value and its changes based on valuation techniques are reasonable and are the most appropriate value on 30 June 2018.

The Group entered into derivative financial instrument contracts with multiple counterparties (mainly with high credit rating financial institutions). The Group's derivative financial instruments are forward foreign exchange contracts. The fair value of the transactional financial liabilities held by the Group is determined based on the forward interest rate in the active markets as at 30 June 2018.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

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(All amounts in RMB unless otherwise stated)

IX. Fair value disclosure (continued)

2. Fair value disclosure of financial assets and liabilities not measured at fair value

Financial assets and liabilities measured at amortised cost mainly include accounts receivable, other receivables, long-term receivables, current portion of long-term borrowings and bonds payable, accounts payable, long-term borrowings, bonds payable, short-term borrowings and non-current liabilities.

Except for the financial liabilities listed below, the carrying amounts of financial assets and liabilities not measured at fair value approximated to their fair values.

	Carrying amount		Fair value	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017
Financial liabilities				
Current portion of long-term borrowings	488,288,016.64	201,970,523.22	475,000,613.17	206,666,208.01
Current portion of bonds payables	899,821,873.26	898,753,113.06	930,950,539.23	918,228,727.46
Current portion of other non-current liabilities (Note a)	348,999,119.94	475,940,400.00	348,999,119.94	475,940,400.00
Long-term borrowings	10,032,064,309.23	9,497,344,336.98	9,884,600,470.35	9,063,164,552.73
Bonds payable	2,760,661,161.97	2,732,092,797.02	2,887,258,228.29	2,931,191,041.26
Other non-current liabilities (Note a)	5,540,031,030.04	5,361,879,999.98	5,540,031,030.04	5,361,879,999.98
Total	20,069,865,511.08	19,167,981,170.26	20,066,840,001.02	18,957,070,929.44

Note a: The current portion and non-current portion of other non-current liabilities represent compensations received relating to the toll adjustment of Three Expressways and the freight subsidy of Coastal Expressway.

The fair values of long-term borrowings and bonds payable with fixed interest rates not quoted in an active market are determined by the DCF method as being the present values of future cash flows, discounted at interest rates based on the comparable credit status and providing substantially the same cash flows with same terms.

Shenzhen Expressway Company Limited

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For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

X. Related party relationships and related party transactions

1. General information of the parent company :

Name	Place of registration	Nature of business	Registered capital	Interest held	Voting rights
Shenzhen International	Bermuda	Investment holding	HKD2,000,000,000.00	51.237%	51.237%

The parent company of the Company is Shenzhen International. Shenzhen Investment Holding Co., LTD. ("Shenzhen Investment Holding Company") is the controlling shareholder of Shenzhen International. The Company's ultimate controlling party is SZ SASAC.

2. Information about subsidiaries

The information about the subsidiaries is set out in Note VII.1.

3. Information about joint ventures and associates

The information about joint ventures and associates is set out in Note VII.2.

In the current period the related party transactions with the Company, or the joint ventures or Associated Enterprises that formed balances with the Company in the previous period, are as follows:

Item	Relationship with the Group
Consulting Company	Associate
Huayu Company	Associate
Nanjing Third Bridge Company	Associate
GZ W2 Company	Associate
Guizhou Bank	Associate
United Land Company	Associate

4. Information about other related parties

Item	Relationship with the Group
Shenzhen Baotong Highway Construction and Development Limited ("Baotong Company")	Parent company's wholly-owned subsidiary
Shenzhen International Logistics Development Co., Ltd. ("Shenzhen International Logistics Company")	Parent company's wholly-owned subsidiary
Shenzhen Longda Expressway Company Limited ("Longda Company")	Fellow subsidiary
Shenzhen International South-China Logistics Co., Ltd. ("SC Logistics Company")	Fellow subsidiary
Flywheel Investments	Parent company's wholly-owned subsidiary
Guizhou Pengbo Investment Co., Ltd. (Guizhou Pengbo)	Parent company's wholly-owned subsidiary
Shenzhen Shen International Modern City Logistics Port Co., Ltd.	Parent company's wholly-owned subsidiary
Xin Tong Chan Company	Shareholder of the Company
United Electronic Company	Others
Guangzhou Cement Company Limited	Others
Huayu Investment Group	Others
Changsha Ring Road Construction and Development Co., Ltd. ("Changsha Ring Road Company")	Others

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X. Related party relationships and related party transactions (continued)

5. Related party transactions

(1) Rendering or receiving of services

Receiving of services

Name of related party	Nature of transaction	For the six months ended 30 June 2018	For the six months ended 30 June 2017
Consulting Company (a)	Accepted project management services	14,153,878.47	15,094,886.47
United Electronic Company (b)	Receiving integrated toll system settlement services	8,216,643.66	8,609,889.33
Others(c)	Receiving power supply services and others	152,756.51	227,992.06

- (a) The Group had entered into management service contracts with Consulting Company to provide for construction consulting and testing services for the Outer Ring project and other roads of the Group.
- (b) United Electronic Company is appointed by the People's Government of Guangdong Province to take charge of the management of the integrated toll system in Guangdong Province. The Company and its subsidiaries have signed a series of agreements with United Electronic Company and entrusted it to provide toll settlement services for Meiguan Expressway, Airport-Heao Expressway, Yanba Expressway, Yanpai Expressway, Nanguang Expressway Qinglian Expressway and Shuiguan Expressway operated by the Group. The service periods end on the expiry dates of operation periods of the individual toll roads. The related service charges are determined by the commodity price bureau of the Guangdong Province.
- (c) Advertising Company, the subsidiary of the Company, received the supply of water and electricity and power supply services for its advertising boards from SC Logistics Company, Xin Tong Chan Company, Huayu Company, Longda Company, Coastal Company and Guangzhou Cement Company Ltd. The respective transaction amounts were not disclosed as they were not material.

Rendering of services

Name of related party	Nature of transaction	For the six months ended 30 June 2018	For the six months ended 30 June 2017
Others (a)	Supply water and electricity for office and others	690,269.68	704,383.00

- (a) The Company provides hydropower resources services for Shenzhen International, Huayu Investment Group, Huayu Corporation, United Electronic Company and Consulting Company. The services are charged at the price paid to the water supply and power supply agency and it isn't listed separately due to its small amount.

(2) Transfer of assets to a related party

Name of related party	Nature of transaction	For the six months ended 30 June 2018	For the six months ended 30 June 2017
Shenzhen Shen International Modern City Logistics Port Co., Ltd.	Land expropriation compensation	7,620,000.00	-

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X. Related party relationships and related party transactions (continued)

5. Related party transactions (continued)

(3) Related party trusteeship / contractual operation / situation of outsourcing

The Company's trusteeship is analysed as follows:

Entrusting party	Entrusted party	Type of entrustment	Date of the commencement of the trusteeship	Date of the termination of the trusteeship	The basis of pricing for the trusteeship	Entrusted revenue recognised for the six months ended 30 June 2018
Baotong Company	The Company	Equity trusteeship	1 January 2016	31 December 2018	Negotiated price	8,490,566.04

The Company was entrusted by Baotong Company to operate and manage Longda Expressway based on an agreement of equity trusteeship. The Company has renewed the agreement and the trusteeship is extended to 31 December 2018. Pursuant to the agreement, the management service fee is RMB18 million per year including tax. During the period, the Company recognized revenue related to the transaction amounting to RMB8,490,566.04 (2017: RMB8,429,433.96).

(4) Leases

As a lessor:

Item	Assets leased	For the six months ended 30 June 2018	For the six months ended 30 June 2017
United Electronic Company and Consulting Company	Office building	459,381.46	183,929.24

As a lessee:

Item	Assets leased	For the six months ended 30 June 2018	For the six months ended 30 June 2017
Longda Company, Huayu Company, SC Logistics Company, Xin Tong Chan Company	Billboard land use rights	1,081,614.56	1,306,904.74

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

The related transactions mentioned above in items (1) to (3) also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Hong Kong Listing Rules.

*(5) Remuneration of key management personnel

Item	For the six months ended 30 June 2018	For the six months ended 30 June 2017
Remuneration of key management personnel	3,515,500.00	3,805,500.00

Key management personnel include directors, supervisors and senior management personnel. The Company had a total of 20 key management personnel (2017: 21) during the period.

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X. Related party relationships and related party transactions (continued)

5. Related party transactions (continued)

(6) Other related party transactions

Name of related party	Nature of transaction	For the six months ended 30 June 2018	For the six months ended 31 December 2017
Shenzhen International United Land Company	Reduced capital	2,205,000,000.00	-
Shenzhen International United Land Company	Interest on reduced capital	12,656,201.32	-
Shenzhen International United Land Company	Property compensation of Meiguan	174,725,745.00	-

6. Receivables due from and payables due to related parties

(1) Receivable items

Item	Related parties	30 June 2018		31 December 2017	
		Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Accounts receivable	Baotong Company	2,295,854.23	-	2,295,854.23	-
Accounts receivable	Guizhou Pengbo	116,023.59	-	1,000,382.99	-
Other receivables	Longda Company	110,000.00	-	110,000.00	-
Other receivables	Changsha Ring Road Company	88,556.58	-	88,556.58	-
Other receivables	Huayu Investment Group	38,329,878.69	-	-	-
Other receivables	Huayu Company	492,322.86	-	20,000.00	-
Other receivables	Consulting Company	84,050.00	-	84,050.00	-
Other receivables	Shenzhen International United Land Company	2,229,816,081.02	-	-	-
Advances	Consulting Company	4,895,598.71	-	11,255,786.30	-
Advances	Longda Company	1,225,354.65	-	-	-
Other non-current assets	Shenzhen International United Land Company	342,599,500.00	-	-	-

(2) Payable items

Item	Related parties	30 June 2018	31 December 2017
Accounts payable	Consulting Company	1,482,525.67	2,835,584.52
Accounts payable	United Electronic Company	654,914.00	120,420.00
Accounts payable	Huayu Company	17,000.00	23,000.00
Accounts payable	SC Logistics Company	1,600.00	1,600.00
Accounts payable	Xin Tong Chan Company	85,540.54	-
Accounts payable	Longda company	-	13,668.00
Other payables	GZ W2 Company	40,750,000.00	40,750,000.00
Other payables	Nanjing Third Bridge Company	4,196,531.79	4,196,531.79
Other payables	Consulting Company	3,638,748.78	10,677,174.21
Other payables	United Electronic Company	2,057,317.66	201,576.49
Other payables	Guangzhou Cement Company Limited	-	40,000.00
Other payables	Shenzhen International	5,000.00	5,000.00

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X. Related party relationships and related party transactions (continued)

7. Commitments to related party

The following table presents the commitment that had been contracted but not yet recognized on the statement of financial position:

(1) Receiving service

	30 June 2018	31 December 2017
Consulting Company	77,215,302.31	89,651,694.04

(2) Investment commitments

On 30 June 2018, the Group's investment commitments to related parties were RMB698,500,000.00 (2017: Nil). The investment commitment is the Company's commitment to increase the capital Yangmao's renovation and expansion project.

(3) Equity acquisition commitments

On 30 June 2018, the Group had no equity acquisition commitments.

XI. Commitments and contingencies

1. Significant commitments

Except for the related party commitments disclosed in Note X.7, the other important commitments of the Group are as follows:

(1) Capital commitments

(a) Capital commitments approved by management but not yet contracted at the end of the reporting period:

	30 June 2018	31 December 2017
Expressway construction projects	3,079,566,869.53	3,072,401,347.72

(b) Capital commitments contracted by the management but not provided for at the end of the reporting period:

	30 June 2018	31 December 2017
Highway development projects & real estate	3,296,039,895.91	2,596,485,259.79

(2) Investment commitments

On 30 June 2018, the Group had no investment commitments.

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XI. Commitments and Contingencies (continued)

1. Significant commitments (continued)

(3) Significant operating leases

Under the leases contract with the lessor, the minimum lease payments for the non-cancellable leases are as follows:

	30 June 2018	31 December 2017
Within 1 year (including 1 year)	19,542,602.32	13,232,481.31
1 year to 2 years (including 2 years)	20,198,541.55	11,264,760.00
2 years to 3 years (including 3 years)	11,584,035.88	9,477,770.22
Over 3 years	14,006,050.61	11,213,045.16
Total	65,331,230.36	45,188,056.69

2. Contingencies

(1) Significant contingencies at the end of the reporting period:

- (a) The Company was entrusted by the Shenzhen Committee of the Exchange to manage Nanping Project Phase II. According to the contractual construction entrusted management contract, the Company has provided the Shenzhen Committee of the Exchange with an irrevocable performance bank guarantee of RMB15,000,000.00.
- (b) The Company was entrusted by the Longhua District Construction and Works Bureau of Shenzhen to construct a "dual upgrade" comprehensive road improvement project - Da Fu Road (Gui Yue Lu - Gui Xiang Road project) and Jianshe Road (Braong Road - East Second Ring Road) and Longhua District Golf Boulevard (Guanlan Avenue – Huanguan nan Road) renovation project. According to the terms of the entrustment management contract, the Company has provided a non-cancellable performance bank guarantee letter of RMB50,170,000.00 to Longhua District Construction and Engineering Bureau of Shenzhen.
- (c) As at 30 June 2018, the Group provided a stage-and-combined liability guarantee of approximately RMB607,630,000.00 to the bank for its home loans granted by the bank to the Group's property buyers. Under the terms of the guarantee, the Group is responsible for paying the outstanding mortgage loans and any accrued interest and penalties owed to the banks by the buyers in arrears if the buyers default in the mortgage payments what the Group can then receive legal ownership of the property. The Group's guarantee period expires from the date on which the bank granted the mortgage loan to acquire certain individual property ownership certificates from property buyers of the Group. In the opinion of the directors, provision for these guarantees is not provided for in arrears if the net realizable value of the properties is sufficient to cover the outstanding mortgage loans, together with any accrued interest and penalties.

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XII. Events after the end of the reporting period

1. On 24 August 2017, the Company's application for the issuance of RMB3,000,000,000.00 medium-term notes to the China Association of Banking Market Dealers was approved. The registration amount is valid for 2 years from the date of issuance of the Registration Notification, and the company can issue medium-term notes in installments during the registration period.

On 26 July 2018, the first medium-term note of RMB1,000,000,000.00 was issued with a term of 3 years and an annual interest rate of 4.14%. The value date was 30 July 2018. The interest will be paid annually. The note will be repaid on 30 July 2021.

On 13 August 2018, the second medium-term note of RMB800,000,000.00 was issued with a term of 5 years and an annual interest rate of 4.49%. The value date was 15 August 2018. The interest will be paid annually. The note will be repaid on 15 August 2023.

2. According to the resolution of the board of directors on 24 July 2018, the United Land Company, jointly invested by Xin Tong Chan Company and the Company, intends to increase capital on the existing basis. The shares will be publicly listed through the property rights exchange and competitive negotiations will be conducted to introduce one professional real estate developer as a strategic investor with the listed price not less than RMB2.9 billion. Both the Company and Xin Tong Chan Company intend to abandon the priority of this capital increase. After the completion of the capital increase, Xin Tong Chan Company, the Company and the strategic investors respectively own 35.7%, 34.3% and 30% of the equity of the United Land Company. By the disclosure date of this report, the transaction has not been approved by the shareholders' meeting.

XIII. Other significant matters

1. Segment information

(1) The recognition and accounting policies of reportable segments:

The reportable segments of the Group are the business units that provide different products or services, or operate in different areas. Different businesses or areas require different technologies and marketing strategies. Therefore, the Group separately manages the production and operation of the reportable segment and evaluates its operating results in order to make decisions about resources to be allocated to the segment and to assess its performance.

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

Other businesses principally comprise the provision of construction management services, advertising services, property development and other services. The Group has no inter-segment transfers. These businesses cannot be separated into reportable segments.

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XIII. Other significant matters (continued)

1. Segment information (continued)

(2) Segment information

For the six months ended 30 June 2018	Toll road	Others	Unallocated	Total
Revenue from external customers	2,462,484,827.14	215,037,936.22	-	2,677,522,763.36
Cost of service	1,164,462,427.98	118,398,064.09	-	1,282,860,492.07
Interest income	21,779,305.05	8,238,093.69	2,411,091.25	32,428,489.99
Interest expenses	502,413,156.19	9,535,947.52	-	511,949,103.71
Share of profits of associates and joint ventures	139,353,759.63	145,929,609.38	-	285,283,369.01
Asset impairment loss	14,115.84	-	-	14,115.84
Depreciation and amortisation	825,195,327.45	7,557,028.82	3,553,236.52	836,305,592.79
Total profit	1,132,964,834.13	206,101,086.28	-30,887,052.12	1,308,178,868.29
Income tax expense	253,916,318.06	13,831,508.02	-	267,747,826.08
Net profit	879,048,516.08	192,269,578.25	-30,887,052.12	1,040,431,042.21
30 June 2018				
Total assets	36,772,139,239.79	7,501,109,289.43	126,976,447.61	44,400,224,976.83
Total liabilities	27,484,484,970.57	660,176,176.63	92,488,236.82	28,237,149,384.02
For the six months ended 30 June 2018				
Long-term equity investments in associates and joint ventures	1,438,064,840.66	5,525,805,485.45	-	6,963,870,326.11
Addition of non-current assets other than financial assets, long-term equity investments and deferred tax assets	688,797,070.24	9,235,900.92	619,674.62	698,652,645.78

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XIII. Other significant matters (continued)

1. Segment information (continued)

(2) Segment information (continued)

For the six months ended 30 June 2017	Toll road	Others	Unallocated	Total
Revenue from external customers	2,152,108,773.70	138,181,865.31	-	2,290,290,639.01
Cost of service	1,036,223,099.91	87,123,066.71	-	1,123,346,166.62
Interest income	20,921,521.12	5,958,492.57	1,505,738.17	28,385,751.86
Interest expenses	427,993,297.69	1,518,698.63	-	429,511,996.32
Share of profits of associates and joint ventures	127,871,219.22	83,633,158.44	-	211,504,377.66
Depreciation and amortisation	728,171,188.42	8,776,916.74	3,274,314.90	740,222,420.06
Total profit	824,288,905.78	113,366,606.22	24,517,806.09	962,173,318.09
Income tax expense	191,903,964.57	10,106,977.97	-	202,010,942.54
Net profit	632,384,941.21	103,259,628.25	24,517,806.09	760,162,375.55
30 June 2017				
Total assets	35,361,331,669.80	9,378,602,788.49	225,817,089.30	44,965,751,547.59
Total liabilities	27,345,382,227.28	781,585,118.77	195,275,945.68	28,322,243,291.73
For the six months ended 30 June 2017				-
Long-term equity investments in associates and joint ventures	1,306,251,611.99	7,724,296,337.81	-	9,030,547,949.80
Addition of non-current assets other than financial assets, long- term equity investments and deferred tax assets	218,975,105.73	4,198,289.48	1,683,932.17	224,857,327.38

(3) Other instructions

The Group's revenue from external customers and the total non-current assets other than financial assets and deferred tax assets are all derived from the PRC. The Group did not generate revenue for any customer that reached or exceeded 10% of the Group's revenue.

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XIV. Notes to the Company's financial statements

1. Long-term equity investments

Item	30 June 2018			31 December 2017		
	Carrying amount	Impairment provided in current period	Net book amount	Carrying amount	Impairment provided in current period	Net book amount
Subsidiaries	12,009,207,816.91	678,765,149.21	11,330,442,667.70	10,536,389,637.88	678,765,149.21	9,857,624,488.67
Joint ventures and associates	2,419,791,996.98	-	2,419,791,996.98	4,611,060,899.65	-	4,611,060,899.65
Total	14,428,999,813.89	678,765,149.21	13,750,234,664.68	15,147,450,537.53	678,765,149.21	14,468,685,388.32

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

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

1. Long-term equity investments (continued)

(1) Investments in subsidiaries

Investee	31 December 2017	Additional injection	Decrement of the period	30 June 2018	Cash dividend declared	Impairment provided on 30 June 2018
Airport-Heao Eastern Company	617,571,365.48	-	3,868,643.24	613,702,722.24	160,131,356.62	-
Meiguan Company	528,201,578.22	-	-	528,201,578.22	20,000,000.00	-
Qinglong Company	101,477,197.16	-	2,690,654.70	98,786,542.46	24,496,488.75	-
Advertising Company	3,325,000.01	-	-	3,325,000.01	-	-
Mei Wah Company	831,769,303.26	-	-	831,769,303.26	-	-
Qinglian Company	1,385,448,900.00	-	-	1,385,448,900.00	-	678,765,149.21
Outer Ring Company	100,000,000.00	-	-	100,000,000.00	-	-
Expressway Investment Company	380,000,000.00	-	-	380,000,000.00	-	-
Environment Company	4,460,000,000.00	-	-	4,460,000,000.00	-	-
Shenzhen Expressway Operation Development Co., LTD	28,500,000.00	-	-	28,500,000.00	-	-
Shenchang Company	122,831,144.54	-	23,161,930.91	99,669,213.63	-	-
Yichang Company	1,270,000,000.00	-	-	1,270,000,000.00	-	-
Construction and Development Company	28,500,000.00	-	-	28,500,000.00	-	-
Shenshan Company	-	5,100,000.00	-	5,100,000.00	-	-
Coastal Company	-	1,487,939,407.88	-	1,487,939,407.88	-	-
Fund Management Company	-	9,500,000.00	-	9,500,000.00	-	-
Total	9,857,624,488.67	1,502,539,407.88	29,721,228.85	11,330,442,667.70	204,627,845.37	678,765,149.21

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

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

1. Long-term equity investments (continued)

(2) Investments in joint ventures and associates

The detailed information about joint ventures and associates is set out in Note V.13. Except for the investments in associates namely Guizhou hengtongli Property Company and Derun Environment, other investments in associates are held by the Company.

2. Revenue and costs of services:

Item	For the six months ended 30 June 2018		For the six months ended 30 June 2017	
	Revenue	Cost	Revenue	Cost
Main businesses	657,913,427.85	222,118,267.11	643,230,255.86	228,036,666.21
Other businesses	31,310,627.58	16,788,101.69	32,493,587.90	16,256,012.60
Total	689,224,055.43	238,906,368.80	675,723,843.76	244,292,678.81

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

XV. Supplementary information

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

Item	Amount	Note
Net profit from the beginning of current year to the combination date of subsidiary combinations involving enterprises under common control	1,008,184.59	In the current period, Coastal Expressway was included in the consolidated financial statements as an entity under common control. Net profit from the beginning of current year to the combination date of Coastal Expressway.
Income from entrusted management services	8,429,433.96	Income from entrusted management services provided to Longda Company in current period.
The amortization of compensation provided by concession grantor	9,271,291.81	The amortization of compensation to Yanpai Expressway and Yanba Expressway provided by concession grantors recognized in current period according to traffic volume method was disclosed as a deduction of the amortization of the related concession intangible assets.
Income from financial products	3,328,767.12	
Gains on change in the fair value of the foreign exchange swap business	10,165,724.90	To mitigate the exchange rate risk, the Group entered into foreign exchange swap businesses for the bond with a principal value of 300 million dollars, and related gains on change in fair value were recognized during the current period.
Interest income accrued from loan to a non-financial entity	16,948,133.18	
Gain on the compensation for the demolition of Meiguan Expressway	174,725,745.00	United Land Company increases the amount of the compensation for the demolition of Meiguan Expressway.
Disposal of Meiguan Expressway's landuse right	7,620,000.00	
Loss on disposal of non-current assets	-480,700.66	Loss on disposal of assets other than gain on the compensation for the demolition of Meiguan Expressway.
Other profit or loss items that meet the definition of non-recurring profit or loss	6,851,842.53	
Impact of income tax	-56,707,326.62	
Impact of minority interests (after tax)	-467,946.11	
Total	180,693,149.70	

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2018

(All amounts in RMB unless otherwise stated)

XV. Supplementary information (continued)

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

Basis for preparation of the detailed list of non-recurring profit or loss items:

Under the requirements in Explanatory Announcement No.1 on Information Disclosure by Companies Offering Securities to the Public – Non-Recurring Profits or Losses [2008] (“Explanatory announcement No.1”) from CSRC, non-recurring profit or loss refers to transactions that are not directly relevant to the normal business operations, or that are relevant to ordinary business, but are so extraordinary that would have an influence on users of the financial statements making proper judgments on the performance and profitability of an enterprise.

2. Return on net assets and earnings per share

Profit for the 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	6.91	0.444	0.444
Net profit after deducting non-recurring profit or loss attributable to ordinary owners of the Company	5.66	0.361	0.361